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City of Del Mar


SAN DIEGO COUNTY, CALIFORNIA

1979 Water Revenue Bonds

\$400,000

Principal Amount

11/5/86



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1
CITY OF DEL MAR

San Diego County, California

2
CITY COUNCIL

Hervey L. Sweetwood, *Mayor*

Al Tarkington, *Mayor pro tem*

Nancy Hoover

Richard L. Roe

CITY STAFF

Robert A. Nelson, *City Manager*

D. Dwight Worden, *City Attorney*

Gloria E. Curry, *City Treasurer and Finance Officer*

Terri Bianco, *City Clerk*

Bonds -- CA -- Del Mar

Del Mar -- Economic Dev.

" " -- Water-Supply

Munic. water supply -- Finance --

CA -- Del Mar

SPECIAL SERVICES

Project Engineers

James M. Montgomery, Consulting Engineers, Inc.

Certified Public Accountant

Carroll & Pendleton, Associates, *Costa Mesa*

Bond Counsel

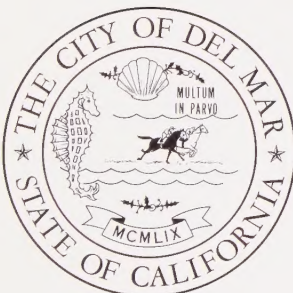
Rutan & Tucker, *San Francisco, Santa Ana and
Newport Beach*

Financial Consultant

[Loeb Rhoades, Hornblower & Co., *San Francisco*]

Paying Agent

California First Bank, *San Diego*



THE DATE OF THIS OFFICIAL STATEMENT IS
FEBRUARY 5, 1979.

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THE CITY OF DEL MAR

February 5, 1979

TO WHOM IT MAY CONCERN:

The purpose of this bond prospectus is to furnish information regarding \$400,000 principal amount City of Del Mar 1979 Water Revenue Bonds.

This prospectus was prepared by Loeb Rhoades, Hornblower & Co. as financing consultants to and under the direction of the city. Rutan & Tucker serve as bond counsel to the city. Financing consultant's fees for services are contingent upon the sale and successful delivery of bonds. Bond counsel's fees are in part contingent upon the sale and successful delivery of bonds.

The information herein has been reviewed by appropriate officials of the city as to accuracy and completeness (see item 2 under "Closing Papers" on Page 5 of this prospectus) and the city has adopted this prospectus as its Official Statement in connection with the bonds herein being offered pursuant to Resolution No. 79-12.

All of the following summaries of the Resolution of Issuance and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the city for further information in connection therewith. This Official Statement does not constitute a contract with purchasers of bonds. Any statements herein involving matters of opinion or estimates, whether or not so designated, are to be construed as provisional rather than factual.

Hervey L. Sweetwood
Mayor, City of Del Mar

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INTRODUCTION

The \$400,000 City of Del Mar 1979 Water Revenue Bonds are to be issued pursuant to the Revenue Bond Law of 1941. The bonds represent the entire principal amount authorized at a city election on November 7, 1978 by a 79% majority. The bonds are issued on a parity with the City of Del Mar 1965 Water Revenue Bonds, of which \$460,000 are outstanding. Bond proceeds will be used to finance general system rehabilitation and replacements. No expanded service is expected as a result of the project.

The bonds are secured by water charges which the city is obliged to maintain at a rate sufficient to meet all maintenance and operation expenses and to provide a minimum coverage of net revenues to bond service on all bonds of at least 1.40. A revenue program developed by the project engineers, James M. Montgomery, Consulting Engineers, Inc., formed the basis of a new rate structure enacted by the city in 1977. According to the engineers' projections, the new rates are expected to generate \$115,200 net operating revenue in 1979/80 which would provide a 1.65 coverage on estimated debt service. Debt service in 1979/80 includes payments due on the 1965 Water Revenue Bonds and fifteen months' interest due on the 1979 Water Revenue Bonds. The coverage of projected net revenues to estimated 1980/81 debt service on all bonds is 1.80. The water rates are charged as part of the city's monthly utility bill. Delinquencies of over two months result in abatement of water service. Only one water shut-off occurred in 1978.

The city is primarily a residential community with a population of 5,175. Del Mar is located on the Pacific coastline, 20 miles north of central San Diego and 105 miles south of Los Angeles. Although only 1.7 square miles in size, the city has 2½ miles of oceanfront property, and maintains and operates two miles of public beach.

Del Mar is within convenient commute distance to employment centers throughout San Diego County. Three industrial parks, providing an employment base for over 8,000 persons, are located within five miles of the city. The county's largest industrial area, Kearny Mesa, with 31,000 employees, is located ten miles southeast of Del Mar.

The city is served by Amtrak rail and Greyhound bus lines, is 18 miles north of the San Diego International Airport, and is less than a mile west of Interstate 5, the major north-south artery of California.

TABLE 1
SELECTED ESSENTIAL FACTS

The Bonds	
Principal amount	\$400,000
Maturities	1996-2003
Denominations	\$5,000
Average life (years)	21.38
Bond years	8,551
Maturities callable 1994 or after	1996-2003
Maximum coupon rate	8%
Maximum coupon spread	2%
The Enterprise	
Estimated 1979/80 net operating revenue	\$115,200
Estimated 1979/80 debt service on all bonds	\$69,749
Mandatory minimum coverage	1.40
Projected 1979/80 coverage to debt service	1.65
Projected 1980/81 coverage to debt service	1.80
Financial and Economic Data	
Estimated 1978 city population	5,175
1978/79 assessed valuation	\$36,144,250
Per capita assessed valuation	\$6,984
Ratio direct debt to assessed valuation	5.26%
Ratio direct and overlapping debt to assessed valuation	10.63%
1978 new construction valuations	\$2,519,000



THE BONDS

Authority for Issuance

The \$400,000 City of Del Mar 1979 Water Revenue Bonds are to be issued pursuant to Resolution No. 383, adopted November 24, 1965, as supplemented by Resolution No. 79-11 adopted February 5, 1979. The bonds are being sold pursuant to the provisions of the Revenue Bond Law of 1941 (Chapter 6, Part 1, Division 2, Title 5 of the Government Code of the State of California). The bonds represent the entire principal amount authorized at a city election on November 7, 1978. The vote was 1,803 in favor (79.7%) to 457 opposed.

In 1965, the city sold \$570,000 of revenue bonds to finance the acquisition of a water system serving the city. The 1965 Bond Resolution provided for additional revenue bonds if certain earnings tests were met. The 1979 Water Revenue Bonds will be on a parity with the 1965 Water Revenue Bonds, of which \$460,000 remain outstanding.

Description of the Bonds

The bonds consist of \$400,000 aggregate principal amount numbered 1 to 80, inclusive, each in the denomination of \$5,000, dated March 15, 1979. The first interest payment, representing nine months' interest from the date of the bonds, is due December 15, 1979. Thereafter, interest is payable semi-annually on June 15 and December 15. Both principal and interest are payable at the office of the City Treasurer of the City of Del Mar or, at the option of the holder, at the principal office of the California First Bank in San Diego, California, the city's paying agent.

Schedule of Maturities

The bonds are to mature and become payable on December 15 of the years specified in the adjacent table.

SCHEDULE OF MATURITIES

<i>Maturity Date (December 15)</i>	<i>Principal Amount</i>
1996	\$45,000
1997	50,000
1998	50,000
1999	50,000
2000	50,000
2001	50,000
2002	50,000
2003	55,000

Legal Opinion

The unqualified legal opinion of Rutan & Tucker, San Francisco, Santa Ana and Newport Beach, California, attesting to the validity of the bonds will be supplied free of charge to the original purchasers of the bonds. A copy of the legal opinion will be printed on each bond without charge to the successful bidder.

Paying Agent

The California First Bank in San Diego has been appointed by the city as paying agent in connection with the outstanding 1965 Water Revenue Bonds and the current issue of bonds. The paying agent is authorized to pay interest on and principal of all bonds when due.

Tax Exempt Status

In the opinion of bond counsel, under existing statutes, regulations and court decisions, the interest on the bonds is exempt from all present Federal income taxes and from State of California personal income taxes; and the bonds are exempt from all California taxes except inheritance, gift, and franchise taxes.

Security

The 1979 Bonds and the outstanding City of Del Mar 1965 Water Revenue Bonds are equally secured by an exclusive pledge and charge upon gross revenues of the enterprise ("gross revenues"). As defined in Resolution No. 383, gross revenues include all charges received for, and all other income and receipts derived by the city from the operation of the enterprise which is comprised of the city's water system and all future additions, improvements, betterments, and extensions of these facilities.

Gross revenues do not include water facilities charges, water extension charges, water connection charges, and refundable deposits to establish credit. The city must maintain revenues at a level sufficient to provide a minimum coverage of net revenues to bond service of at least 1.40 "Net revenues" are defined as the difference between gross revenues and operation and maintenance expenses of the enterprise. Operation and maintenance expenses do not include debt service on bonded indebtedness nor allowance for depreciation.

The bonds are revenue bonds and do not constitute a debt of the City of Del Mar. The bonds are not secured by the taxing power of the City of Del Mar, nor may any recourse be had for their payment against the general fund of the city. The bonds are not secured by a pledge, charge, lien or encumbrance upon any of the property of the city or any of its income except the gross revenues of the enterprise.

Registration

Coupon bonds will be issued by the city. The bonds are registrable as to both principal and interest, at the holder's option, with privilege of deregistration and conversion into coupon bonds at the owner's expense.

Redemption Provisions

The bonds are not callable prior to December 15, 1994. On or after December 15, 1994 the bonds are callable on any interest payment date, at the option of the city, as a whole or in part, in inverse order of maturity and by lot within any one maturity, from funds derived by the city from any source at the principal amount and accrued interest to the date of redemption at the price as set forth below.

105% if redeemed on December 15, 1994 or June 15, 1995
104½% if redeemed on December 15, 1995 or June 15, 1996
104% if redeemed on December 15, 1996 or June 15, 1997
103½% if redeemed on December 15, 1997 or June 15, 1998
103% if redeemed on December 15, 1998 or June 15, 1999
102½% if redeemed on December 15, 1999 or June 15, 2000
102% if redeemed on December 15, 2000 or June 15, 2001
101% if redeemed on December 15, 2001 or June 15, 2002
100% if redeemed thereafter and prior to maturity

Notice of redemption is to be published in a financial newspaper or journal of general circulation in the County of San Diego, California, at least 30 days but not more than 60 days prior to the redemption date. Notice of redemption is to be mailed to the original purchasers of the bonds and to the holders of any registered bonds designated for redemption.

Creation of Special Funds

Resolution No. 383 and Resolution No. 79-11 provide for the establishment of special funds to be held and administered by the city. These funds will be employed in connection with the operation of the enterprise as shown in the following table.

Disposition of Bond Proceeds

The Treasurer will receive the proceeds from the sale of the 1979 Water Revenue Bonds and apply them as follows:

Interest Fund: The accrued interest, if any, shall be deposited in the Interest Fund.

Reserve Fund: A sum will be deposited in the Reserve Fund which will bring it up to maximum annual debt service on the 1979 Bonds and the outstanding City of Del Mar 1965 Water Revenue Bonds.

Construction Fund: The remainder of bond proceeds will be transferred to the Treasurer for deposit in the Construction Fund and used for construction and related costs of the project. Any balance remaining in the Construction Fund after the project is completed will be transferred into the Reserve Fund if needed to comply with provisions of the Resolution. Any remaining balance thereafter is to be deposited into the Revenue Fund and applied for any authorized purpose.

Application of Revenues

The gross revenues of the enterprise are to be deposited monthly by the Treasurer into the Revenue Fund and shall be transferred to the following funds in the following order of priority:

Interest Fund: On or before the tenth business day of each calendar month so long as any bonds are outstanding, the Treasurer will deposit one-sixth (1/6th) of the interest which will become due and payable on the outstanding bonds within the next ensuing six (6) months. No deposit need be made if the amount contained in the Interest Fund is at least equal to the interest payable on the next succeeding interest payment date. Moneys in the Interest Fund may be invested in securities maturing not later than the date moneys are needed.

Retirement Fund: On or before the tenth business day of each calendar month so long as any bonds are outstanding, the Treasurer will deposit one-twelfth (1/12th) of the principal amount of such bonds which will mature and be payable within the next ensuing twelve (12) months. Moneys in the Retirement Fund may be invested in securities maturing not later than the date needed.

Reserve Fund: The Treasurer shall deposit an amount sufficient to increase the amount on deposit in this fund to the maximum annual debt service on all outstanding bonds as computed on a fiscal year basis. Moneys in the Reserve Fund must be maintained in an amount equal to maximum annual debt service. All moneys in the Reserve Fund are to be used solely for replenishing any deficiency in the Interest Fund or the Retirement Fund or the payment of principal and interest on the bonds in the event no other moneys are available. Whenever moneys are withdrawn from the Reserve Fund an equal amount must be transferred from the Surplus Fund or from the first available moneys in the Reserve Fund. Money in the Reserve Fund may be used to pay the principal and/or interest on the last outstanding maturity of the bonds or any parity bonds.

Maintenance and Operation Fund: The Treasurer, on or before the tenth business day of each month, shall deposit into the Maintenance and Operation Fund the budgeted amount of money needed to maintain and operate the enterprise during the month.

Surplus Fund: Any moneys in excess of the amount needed to satisfy the deposits required above may be placed into the Surplus Fund to be used for system expansion or improvement, redemption or purchase of bonds, or any lawful purpose of the city.

Closing Papers

Each proposal for bids on the bonds will be understood to be conditioned upon the city furnishing to the purchaser, without charge, concurrently with payment for and delivery of the bonds, the following closing papers, each dated the date of such delivery:

1. Legal opinion – The unqualified opinion of Rutan & Tucker, Bond Counsel, approving the validity of the bonds and stating that interest on the bonds is exempt from income taxes of the United States of America under present federal income tax laws, and that such interest is also exempt from personal income taxes of the State of California under present state income tax laws.

2. At the time of payment for and delivery of the bonds, the city will furnish the successful bidder a certificate, signed by appropriate officers of the city acting in their official capacity, to the effect that to the best of their knowledge and belief, and after reasonable investigation, (a) neither the Official Statement or any amendment or supplement thereto contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading; and (b) there has been no material adverse change in the operation or financial affairs of the city or the water utility since the date of such Official Statement.
3. An opinion of bond counsel that on the basis of the facts, estimates and circumstances in existence on the date of issue, it is not expected that the proceeds of the bonds will be used in a manner that would cause the bonds to be arbitrage bonds.
4. A certificate signed by an officer of the city that there is no litigation threatened or pending affecting the validity of the bonds.

5. The signature certificates of the officers and representatives of the city, showing that they have signed the bonds, whether by facsimile or manual signature, and that they were respectively duly authorized to execute the same.
6. The receipt of the fiscal agent of the city showing that the purchase price of the bonds, including interest accrued to the date of delivery thereof, has been received by the city.

Maintenance of Rates and Charges

The city covenants that so long as any of the bonds are outstanding it will fix, prescribe, and collect rates, fees, and charges for services and facilities of the enterprise so as to yield revenues sufficient to pay the following amounts:

1. Interest and principal on the bonds as they become due and payable;
2. All payments required to comply with the terms of the Resolutions, including payments required to be made into the Reserve Fund;
3. All payments to meet any other obligations of the city which are charges, liens, encumbrances, upon, or payable from the revenues; and
4. All current costs of maintenance and operation of the enterprise.

In addition, the city covenants that while any of the bonds remain outstanding, rates, charges, and fees for services and facilities furnished by the enterprise will be fixed, prescribed, and collected so as to yield net revenues during the then immediately ensuing twelve-month period equal to at least 1.40 times annual debt service. Net revenues are defined as the gross revenues of the enterprise remaining after payment of necessary and reasonable maintenance and operation costs.

TABLE 2
FUNDS ESTABLISHED BY BOND RESOLUTIONS

Fund	Source	Use
Construction Fund	Bond proceeds	Construction, balance (if any) to Reserve Fund and Revenue Fund as indicated in the Resolution
Revenue Fund	All water system revenues	Transfers to the Interest, Retirement, Reserve, Maintenance and Operation, and Surplus Funds in the preceding order of priority
Interest Fund	Revenue Fund	Bond interest
Retirement Fund	Revenue Fund	Bond principal
Reserve Fund	Bond proceeds and Revenue Fund	Bond principal and interest
Maintenance and Operation Fund	Revenue Fund	Maintenance and operation of the enterprise
Surplus Fund	Revenue Fund	Any authorized purpose after all other accounts have been paid in full in accordance with Resolution Nos. 383 and 79-11

Additional Covenants

Additional covenants contained in the Resolutions include the following:

1. The city will punctually pay or cause to be paid the principal and interest on outstanding bonds, together with applicable premiums in accordance with Resolution No. 79-11 and that payments into the Interest Fund, the Retirement Fund, and the Reserve Fund will be made in strict conformity with the terms of the Resolutions, and that the city will faithfully observe and perform all of the conditions, covenants and requirements of the Resolutions.
2. The city shall pay from the Revenue Fund all lawful claims for labor, materials and supplies furnished for or in connection with the enterprise which, if unpaid, may become a lien or charge upon the revenues prior or superior to the lien of the bonds and impair the security of the bonds. The city shall also pay from the Revenue Fund all taxes and assessments or other governmental charges lawfully levied or assessed upon the enterprise.
3. The city will commence the accomplishment of the purposes for which the bonds are issued and will continue the same to completion with all practicable dispatch and in an economical manner as soon as bond proceeds are available.
4. The city will operate the enterprise in an efficient and economical manner and will operate, maintain and preserve the enterprise in good repair and working order.
5. The city will not sell, lease, or otherwise dispose of any part of the enterprise unless provision is made for the continuance of payments into the Revenue Fund sufficient to permit payment of bond principal and interest and any applicable premium, and provide for required payments into the various funds. If all or any substantial part of the enterprise is condemned or sold under threat of condemnation, the proceeds of such award or sale must be applied to the construction and/or acquisition of new facilities or used to retire or redeem outstanding bonds.
6. The city will keep proper books of record and accounts of the enterprise, separate from all other records and accounts, in which complete and correct entries will be made of all transactions relating to the enterprise. Such books will at all times be subject to the inspection of the holders of not less than 10% of the outstanding bonds. The city will cause the books and accounts of the enterprise to be audited annually by an independent certified public accountant or firm of certified public accountants and will make available for inspection by the bondholders at the office of the Treasurer a copy of the audit report. The city will cause to be published annually, not more than 120 days after the close of each fiscal year, a summary statement showing the amount of gross revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of the bonds, the disbursements from such revenues and other funds in reasonable detail, and a general statement of the financial and physical condition of the enterprise. The city shall furnish a copy of the statement to any bondholder upon request.
7. The city will not furnish water or other service from the enterprise to the United States of America, the State of California, the city, any municipal or public corporation or district or public agency or any private corporation or person, free, or at rates lower than those charged other persons for similar service, except that charges to the city for water used for street or sewer flushing and for fire hydrants may be made at rates lower than those charged private persons, and all rates for service rendered to the city shall be a reasonable charge for the service rendered. Also, the city will pay a reasonable rental into the Revenue Fund for any building or other real property of the enterprise that it uses.
8. The city will maintain and enforce valid regulations for the payment of bills for water service and will discontinue water service to any user whose water bill has not been paid within the time fixed by said regulations, which shall not be more than two months from the date the water bill became delinquent.
9. The city will maintain or cause to be maintained insurance on the enterprise against such risks as are usually insurable in connection with similar enterprises. If any part of the enterprise is damaged or destroyed, insurance proceeds are to be used to restore it to use, and to the extent not so applied must be used to retire or redeem outstanding bonds to the extent possible. The city will also maintain workers' compensation insurance and insurance against public liability and property damage to the extent reasonably necessary to protect the city and the bondholders.
10. The city will not issue additional bonds having any priority in payment of principal and interest out of the revenues of the enterprise.
11. The city will preserve and protect the security of the bonds and the rights of the bondholders, and will warrant and defend their rights against all claims and demands of all persons.

Additional Bonds

The Resolutions provide that additional bonds may be issued on a parity with the 1965 Water Revenue Bonds and the 1979 Water Revenue Bonds, provided the following conditions have been met:

1. That the city is not then in default and that required payments of principal of and interest on the bonds have been paid;
2. That all required payments into the Retirement Fund and the Reserve Fund have been made;
3. That any additional bonds mature on December 15 and that the last maturity date of any parity bonds not be earlier than the last maturity date of any bonds then outstanding;
4. That actual annual net revenues for the last fiscal year or for the last twelve-month period preceding adoption of a supplemental resolution must have been equal to at least 1.40 times maximum annual debt service on all outstanding water revenue bonds and the additional bonds.

Credit for estimated future earnings from extensions and improvements to the enterprise and from increased rates and charges are permitted, provided they are certified by a qualified independent engineer. In the case of additional bonds to be issued to finance improvements and additions to the enterprise, 75% of the estimated average annual net revenue to be derived from the improvements and additions during the first three years after completion of the improvements may be added to actual net revenues for the then preceding fiscal year or twelve-month period and treated as if actually received by the city. In the case of earnings arising from an increase in rates or charges which have not been in effect for a full fiscal year or twelve-month period, an allowance may be made equal to 75% of the amount by which net

revenues would have been increased if such increases had been in effect for the entire fiscal year or twelve-month period.

To the extent that additional bonds are issued to refund outstanding bonds, the debt service on the bonds to be refunded is to be excluded from the computation described above.

Actual and Estimated Debt Service

Table 3 presents actual debt service on the 1965 Water Bonds and estimated debt service on the 1979 Water Bonds. Interest on the 1979 Water Bonds has been estimated at 7%.

TABLE 3
ACTUAL AND ESTIMATED DEBT SERVICE ON CITY OF DEL MAR
1965 AND 1979 WATER REVENUE BONDS

Fiscal Year	Debt Service on 1965 Bonds	1979 Water Revenue Bonds		Estimated Grand Total Debt Service
		Principal Maturing December 15	Interest Estimated at 7%	
1978/79	\$ 34,260	\$ —	\$ —	\$ 34,260
1979/80	33,660	—	36,089*	69,749
1980/81	37,960	—	28,000	65,960
1981/82	37,160	—	28,000	65,160
1982/83	36,360	—	28,000	64,360
1983/84	35,550	—	28,000	63,550
1984/85	39,627	—	28,000	67,627
1985/86	38,603	—	28,000	66,603
1986/87	37,577	—	28,000	65,577
1987/88	36,553	—	28,000	64,553
1988/89	40,425	—	28,000	68,425
1989/90	39,195	—	28,000	67,195
1990/91	37,965	—	28,000	65,965
1991/92	36,720	—	28,000	64,720
1992/93	40,355	—	28,000	68,355
1993/94	38,885	—	28,000	66,885
1994/95	37,415	—	28,000	65,415
1995/96	40,840	—	28,000	68,840
1996/97	—	45,000†	26,425	71,425
1997/98	—	50,000†	23,100	73,100
1998/99	—	50,000†	19,600	69,600
1999/2000	—	50,000†	16,100	66,100
2000/01	—	50,000†	12,600	62,600
2001/02	—	50,000†	9,100	59,100
2002/03	—	50,000†	5,600	55,600
2003/04	—	55,000†	1,925	56,925
Total	\$679,110	\$400,000	\$598,539	\$1,677,649

* First coupon due December 15, 1979 represents nine months' interest. Total debt service in 1979/80 includes 15 months' interest.
† Callable on or after December 15, 1994.



*The City of Del Mar,
San Diego, California.
(Photo credit City of Del Mar.)*

THE PROJECT

The project being financed with proceeds of the 1979 Water Bonds consists of general system rehabilitation including reservoir repairs, pipeline additions and replacements and installation of new valves and connections. The modifications are intended to enhance the quality of service to users of the city's water system. No expanded service is anticipated as a result of the project.

The Present System

The City of Del Mar purchased the Del Mar Utility Company, a privately owned water system, in 1965 with proceeds of a \$570,000 water revenue bond issue which was authorized by a city vote. Bond proceeds were approximately equally divided between the purchase price and costs of system expansion. Improvements made at that time included installation of approximately 11,000 feet of pipeline, several facilities to accommodate up to a million gallons of water, over twenty additional fire hydrants and all necessary connections. At the time of the acquisition, the water system was serving a population of approximately 3,500 persons.

Since acquisition, the city has undertaken a capital improvement program and annually expends between \$50,000 to \$70,000 to upgrade the system. In 1968, with the aid of State and Federal grants, the city completed the most extensive modifications and replacements to date. Currently, the system serves a population of over 5,000 persons, representing over 40% growth since the city's purchase.

The present system receives water at two metered points of delivery, which serve the city's three pressure zones. No pumping stations are required. The system is equipped with four storage reservoirs with capacities of one-quarter, three-quarters, one, and two million gallons. The smaller reservoirs are located at the points of water delivery. These reservoirs, built in 1968 and financed from State and Federal grants, are steel. The other, larger reservoirs, are concrete and were built in the early 1900's. A portion of bond proceeds will be used to reroof the two-million gallon, concrete reservoir.

TABLE 4
BOND ISSUE REQUIREMENT

<i>Project</i>	<i>Amount</i>
Reservoir rehabilitation	\$280,000
Pipeline replacement	205,000
Connections and valves	15,000
Contingency	42,000
Total Project Costs	\$542,000*
Construction fund from bond proceeds	\$330,000
Bond reserve†	35,000
Legal financing and incidentals	35,000
Total Bond Issue Requirement	\$400,000

* Balance of project cost (\$212,000) to be financed this year from previously accumulated surplus water revenue.

† Based on maximum legal 8% interest rate.

Source: Project engineers, James M. Montgomery, Consulting Engineers, Inc.

Water Supply

In October, 1962 the City of Del Mar was annexed to the San Diego County Water Authority and concurrently to the Metropolitan Water District of Southern California. By such annexation, the city secured an entitlement to imported water. The principal source of water is the Colorado River supplemented by northern California sources. The entitlement of 3,760 acre-feet per year exceeds current usage by over three-to-one. The City of San Diego receives water from the Authority via the Colorado Aqueduct and, following filtration, transmits the water to the two points of delivery in Del Mar.

The California drought of 1976 and 1977 did not have any effect on the entitlement to the city, nor on the amount of water available during the summer months. The Authority imposed a penalty fee on member agencies who used more than 90% of the prior year's consumption to encourage water conservation. In response, the city levied a water conservation charge that was used to pay any Authority penalty fees and to administer the water conservation program. The water conservation charge resulted in a surplus that was partially rebated to city users and has been subsequently terminated.

Project Costs

Table 4 presents a summary of project costs to complete general rehabilitation of the water system. Approximately 60% of project costs will be funded from bond proceeds with the remainder to be financed this year from previously accumulated surplus water revenues. It is anticipated that the majority of project improvements will occur in 1979.

Project Engineers

The city has retained James M. Montgomery, Consulting Engineers, Inc. to serve as project engineers for the improvements. The firm has been employed by the city on a variety of engineering projects over the last ten years, including rate studies for the city's water and sewer system.

Permit Approvals

Inasmuch as the project consists only of system rehabilitation and does not involve expanded service, no environmental impact report is required. No other permits or easements are required to complete the project.

The City of Del Mar is well known for its scenic beaches. The city contains approximately 2½ miles of oceanfront property of which 2 miles are open to the public.
(Photo credit Del Mar News Press.)



THE ENTERPRISE

The City of Del Mar water system is maintained and operated from revenue collected principally from metered water sales. In 1968, State and Federal grants supplemented surplus water revenue in a capital improvement program that substantially rehabilitated the water system. Since that time, all operations and maintenance expenses have been met through the sale of water to system users. Water rates have been revised periodically to generate sufficient revenue to meet projected expenses.

The most recent rate study was completed in March, 1977 and resulted in a rate adjustment enacted in May, 1977 pursuant to Ordinance No. 77-18. The new rate structure is designed to encourage water conservation by placing a larger financial burden on large water users through a flat \$0.45 charge per hundred cubic feet used. The old rate structure allowed lower rates for greater volumes used. The monthly service charges that are related to meter size have not been changed since the previous rate ordinance adopted in 1973. Table 5 presents a table summarizing the current rate structure.

The city has several additional charges for special users. The Twenty-Second Agricultural District is charged a flat rate of \$1,200 per month in addition to water usage and water meter charges. Water consumption of the district is regulated by six meters of varying size (see Table 6). The agricultural district encompasses the fairgrounds and racetrack complex.

The rate ordinance provides for additional monthly charges on multiple dwelling units equal to \$0.70 for each unit in the structure for service within the city and \$1.00 additional charge for each unit for service outside the city. The city reports 195 multiple family units in Del Mar in January, 1979. At present there are no multi-family structures being serviced outside the city. Table 6 presents a breakdown of user types and meter sizes within the city. The most common meter size in the city is the 5/8-inch meter serving predominantly single-family dwellings.

TABLE 5
DEL MAR WATER RATES

	Service Within City	Service Outside City*
Commodity charges (per hundred cubic feet)	\$ 0.45	\$ 0.45
Monthly service charges		
Meter size: 5/8"	\$ 4.65	\$ 7.00
3/4"	5.00	7.50
1"	6.00	9.00
1 1/2"	9.00	13.50
2"	15.00	22.50
3"	21.00	31.50
4"	28.00	42.00

* The city presently provides water service to two single-family units located outside the city limits.

Source: City of Del Mar Ordinance 77-18 adopted May 2, 1977.

Meters are read in the middle of each month with bills out by the first of the next month. Bills not paid by the 25th of that month are subject to a two percent late charge. If the bill remains unpaid for another month, a shut-off notice is posted at the residence which indicates that water service will be terminated in five days if the bill is not paid. If service is terminated, the user must pay a three dollar connection fee and replace the \$15 deposit that was forfeited due to the shut-off. The city shut off water to one user in 1978. No terminations to date have occurred in 1979.

Connection fees levied by the city are a function of the meter size. The charge for a 5/8-inch meter is \$125.00; 3/4-inch meter, \$140.00; 1-inch meter, \$185.00; and a 2-inch meter \$480.00. Connection fees and other deposits to secure service are not pledged to the payment of revenue bonds. Revenues from connection fees have historically ranged between \$3,000 and \$4,000 per year.

Expenses to operate the city's water system principally involve the cost of purchasing water from the San Diego County Water Authority and the Metropolitan Water District of Southern California (MWD) and the costs of transmitting water from the City of San Diego to Del Mar. The city currently pays \$75.00 per acre-foot to MWD and an additional \$2.00 per acre-foot to the Authority for all water purchased.

The City of San Diego charges both a capacity and commodity fee for treatment and transmission to Del Mar. The capacity charge is a fixed annual cost based upon the capacity available. By contract this is set at \$18,390 and will remain so until Del Mar's demand exceeds 1,200 acre feet annually. At such time, Del Mar must purchase additional rights valued at

\$1,090 for each 200 acre-foot increment of increase. Moreover, this amount must be paid for each prior year of the agreement (beginning August 1964). The city's rate study of 1977 projected that demand would exceed 1,200 acre feet in 1980/81 which may require additional rate adjustments at that time.

Net operating revenue over the last five years has more than exceeded coverage limitations associated with the 1965 Water Revenue Bonds which require that net revenue be at least equal to 1.4 times debt service as it becomes due and payable. During this period, coverage has varied from 2.36 times to 3.56 times current annual debt service.

TABLE 6
DEL MAR METER INVENTORY BY USER TYPE
January, 1979

User	Meter Size (inch)									Total
	5/8	3/4	1	1 1/2	2	3	4	6	8	
Single-dwelling	907	129	45	9	—	—	—	—	—	1,090
Multi-dwelling	159	20	15	2	—	—	—	—	—	196
Commercial	46	15	25	14	44	5	—	1	—	150
Recreational	2	—	2	1	3	—	—	—	—	8
School	—	—	—	—	2	—	—	—	—	2
Agricultural district	—	—	2	—	—	—	2	—	2	6
Fire services	—	—	—	—	—	—	1	3	—	4
	1,114	164	89	26	49	5	3	4	2	1,456

Source: City of Del Mar.

TABLE 7
GROWTH OF
DEL MAR WATER SYSTEM

Year	Number of Meters*	Population†
1970	1,201	3,956
1971	1,232	4,020
1972	1,250	4,220
1973	1,307	4,430
1974	1,370	4,590
1975	1,391	4,734
1976	1,405	4,900
1977	1,410	4,920
1978	1,421	5,175
1979	1,456	n. a.

* Source: City of Del Mar.

† Source: State's Department of Finance.

Historic Revenues and Expenses

Table 8 presents a five-year operating history of the water enterprise. During this period, revenue has increased approximately nine percent per year while expenses, on the average, have increased approximately seven percent per year. The major source of revenue is metered water sales which accounts for over 90% of gross revenues. Gross revenues have increased over 40% since 1973/74. The increase is due in part to increased water rate charges but also to the moderate growth rate in the city. Table 7 presents a comparison of the increase in metered connections in the city and population growth as estimated by the State Department of Finance.

During the past ten years, metered connections in the city have increased over 20% to serve a 30% increase in population over the same period. The city's planning department is projecting a 15% increase in the city's population over the next ten years.

In response to the California drought during 1976 and 1977, the San Diego County Water Authority imposed a penalty fee on any water user that consumed more than 90% of the previous year's volume used. In order to meet any penalty fees, the city imposed a water conservation charge in May, 1977 on all system users. The charge consisted of a flat \$0.60 per

month charge on all meters and a penalty charge based on meter size and volume of water consumed beyond specific levels. The charge was intended to encourage water conservation practices. Proceeds from the city's water conservation charges were used to pay penalty fees and to support an educational program directed to water conservation practices. In October, 1977, the city discontinued the extra charges due to the success of the program and subsequently rebated a portion of the unused proceeds from the charge to system users through bill credits.

TABLE 8
DEL MAR WATER FUND OPERATING HISTORY*

	1973/74	1974/75	1975/76	1976/77	1977/78
Gross Revenue					
Metered water sales	\$210,161	\$238,506	\$253,116	\$264,223	\$283,019
Penalties	561	1,072	653	697	763
Interest earned	8,349	9,119	8,268	9,176	14,521
Water conservation charges	—	—	—	9,198	16,204
Miscellaneous	942	319	726	971	1,651
Total Gross Revenue	\$220,013	\$249,016	\$262,763	\$284,265	\$316,158
Operating Expenses					
Cost of purchased water	\$ 53,381	\$ 48,233	\$ 65,358	\$ 58,765	\$ 63,515
Production	26,756	27,565	26,256	24,649	24,189
Distribution	27,214	28,488	29,891	41,770	49,068
Accounting	12,614	12,050	15,136	15,258	20,552
General and administrative	25,123	20,127	23,884	33,369	34,653
Total Operating Expenses	\$145,088	\$136,463	\$160,525	\$173,811	\$191,977
Net Revenue	\$ 74,925	\$112,553	\$102,238	\$110,454	\$124,181
1965 Water Bond debt service	\$ 31,720	\$ 31,330	\$ 30,940	\$ 35,452	\$ 34,860
Coverage of net revenue to debt service	2.36	3.59	3.30	3.16	3.56

* Table 8 reviewed by city's Finance Officer for consistency with audited financial statements.
Source: Compiled from the city's financial statements for 1973/74 through 1977/78 audited by Carroll & Pendleton, Associates, Certified Public Accountants.

Projected Revenue, Expenses and Estimated Bond Coverage

Table 9 presents a three-year projection of the water system's revenue and expenses and estimated debt service coverage. Metered water sales and expense projections were prepared by James M. Montgomery, Consulting Engineers, Inc., project engineers. Water sales projections are based on an anticipated increase of 50 units per year. This growth rate was estimated by the city's planning department. Interest income projections were provided by the city's Finance Officer and are based on an average annual return of 8% per year on invested funds. Expenses are estimated to increase 8% per year.

The debt service on the 1979 Water Bonds will commence in 1979/80 with nine months interest due December 15. Total debt service in 1979/80 on the 1979 Water Bonds includes 15 months' interest. Interest on the 1979 Water Bonds is estimated at 7%. Coverage of net revenue to estimated 1979 Water Bond debt service and actual 1965 Water Bond debt service in 1979/80 is 1.65. Coverage is expected to increase in 1980/81 to 1.80.

TABLE 9
PROJECTED WATER SYSTEM REVENUE AND EXPENSES
AND ESTIMATED DEBT SERVICE COVERAGE

	1978/79	1979/80	1980/81
Gross Operating Revenue^①			
Metered water sales ^②	\$307,000	\$325,500	\$345,000
Penalties	700	700	700
Interest earned ^③	19,000	21,300	23,900
Miscellaneous	500	500	500
Total Gross Operating Revenue	\$327,200	\$348,000	\$370,100
Operating Expenses^④			
Cost of purchased water	\$ 76,500	\$ 82,600	\$ 89,200
Production	27,390	29,600	31,900
Distribution	52,967	57,200	61,800
Accounting and administration	58,703	63,400	68,500
Total Operating Expenses	\$215,560	\$232,800	\$251,400
Net Revenues Available for Debt Service	\$111,640	\$115,200	\$118,700
Water Bond Debt Service			
1965 Water Bonds debt service	\$ 34,260	\$ 33,660	\$ 37,960
Estimated 1979 Water Bonds debt service ^⑤	—	36,089 ^⑥	28,000
Total Estimated Debt Service	\$ 34,260	\$ 69,749	\$ 65,960
Coverage Net Revenues to Estimated Debt Service on 1965 and 1979 Water Bonds	3.26	1.65	1.80
Surplus Available for Capital Improvements	\$ 77,380	\$ 45,451	\$ 52,740

① Does not include connection fees which annually contribute between \$3,000 to \$4,000 to gross revenue of the enterprise.

② Based on estimated increase of 50 single-family units per year. No rate increase anticipated.

③ City's Finance Officer estimates 8% earnings per year on invested funds.

④ Based on anticipated increase in expenses of 8% per year.

⑤ Based on estimated interest rate of 7%.

⑥ Represents 15 months' interest. The first coupon will be a nine-month coupon.

Source: Growth projections from city's Planning Department; interest projection from city's Finance Officer; expense projections from Project Engineer, James M. Montgomery, Consulting Engineers, Inc.

CITY ORGANIZATION AND FINANCIAL DATA

The City of Del Mar, originally incorporated as a general law city on July 15, 1959, changed to chartered status in 1960 by a vote of the people. The city operates under the council-manager form of government. The voters of Del Mar elect five council members by popular vote on a non-partisan basis for staggered terms of four years. The council selects the mayor from among its members. The current mayor, Mr. Hervey L. Sweetwood, was elected to the council in 1976, and was appointed mayor in March, 1978. Mr. Sweetwood is employed as a management consultant. The mayor pro tem, Mr. Al Tarkington, a certified public accountant with his own firm, joined the council at the same time as Mr. Sweetwood. The remaining membership of the city council includes Mr. Richard L. Roe, publisher, and Ms. Nancy Hoover, stock analyst and broker. The remaining council seat is vacant and will be filled following a special election to be held in the city on March 6, 1979. The vacancy occurred when the previous councilmember, Mr. Richard G. Rypinski, formerly a division chief in the State's Department of Transportation, left that post to accept an appointment as Chief Counsel for the California Department of Transportation. The council enacts all local laws, approves the city budget, appoints city officials, and adopts the city tax rate.

City officials include the city manager, Mr. Robert A. Nelson; city attorney, Mr. D. Dwight Worden; city treasurer and finance officer, Ms. Gloria E. Curry; and the city clerk, Ms. Terri Bianco. The city contracts for engineering services with James M. Montgomery, Consulting Engineers, Inc., La Jolla, California.

The city has 30 full-time employees and provides community services through its planning department, fire department, public works department, and city-operated sewer and water systems. The planning department is responsible for preparing the general plan which was adopted by popular vote on March 8, 1976. The fire department presently is staffed by 10 full-time city employees augmented by 20 reservists. The city has a class 6 fire rating. Police protection for the city is obtained under contract with the San Diego County Sheriff's Office.

Assessed Valuation

The City of Del Mar utilizes the facilities of San Diego County for the assessment and collection of taxes for city purposes. City taxes are assessed and collected at the same time and on the same tax rolls as are county, school, and special district taxes. The valuation of secured property is established as of March 1 of each year, is subsequently equalized in August, and the first installment of taxes becomes payable the following November. Taxes are due to be received by the San Diego County Tax Collector on or before the delinquency dates of December 10 and April 10 for each installment of the taxes levied. Taxes on unsecured property (personal property and leaseholds) are due on August 31 of each year based on the preceding fiscal year's tax rate.

Under amendments adopted in 1968 to the Constitution and Statutes of the State of California, two types of exemptions of property from ad valorem taxes were authorized beginning in the fiscal year 1969/70. The first of these exempts 50% of the assessed valuation of business inventories from taxation. The second provides for exemption of \$1,750 of the assessed valuation of an owner-occupied dwelling for which application has been made to the county assessor. Revenue estimated to be lost to local taxing agencies due

to such exemptions, however, is reimbursed from state sources. Such reimbursement is based upon total taxes due upon such exempt values and therefore is not reduced by any amount for estimated delinquencies. In 1978/79, the assessed value for the city's homeowners' and business inventory exemptions totalled \$1,688,765.

Table 10 presents a six-year history of the city's assessed valuation. Since 1973/74 the city's assessed valuation has increased over 50%. This includes a 14.4% decrease in the 1978/79 assessed valuation over the previous year as a result of the implementation of the tax limitation initiative (Proposition 13).

On June 6, 1978, California voters approved Proposition 13, commonly known as the Jarvis-Gann Initiative, which adds Article XIII A to the California Constitution. The California Supreme Court upheld the validity of the amendment against certain general constitutional attacks on September 22, 1978. The initiative defines full cash value as "the County Assessor's valuation of real property as shown on the 1975/76 tax bill under 'full cash value', or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975/76 tax levels may be reassessed to reflect that valuation". The amendment thus establishes the 1975/76 assessed valuation as the base for property tax purposes. The yearly increase from the base year is limited to growth in the Consumer Price Index, but not to exceed 2% annually. Reassessments are required after sale, transfer, or construction. The full text of the Jarvis-Gann Initiative is provided below.

Jarvis-Gann Initiative

"Section 1.

(a) The maximum amount of any ad valorem tax on real property shall not exceed one percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters prior to the time this section becomes effective.

"Section 2.

(a) the full cash value means the County Assessor's valuation of real property as shown on the 1975/76 tax bill under "full cash value", or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975/76 tax levels may be reassessed to reflect that valuation.

(b) The fair market value base may reflect from year to year the inflationary rate not to exceed two percent (2%) for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction.

"Section 3.

From and after the effective date of this article, any changes in State taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.

"Section 4.

Cities, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.

"Section 5.

This Article shall take effect for the tax year beginning on July 1 following the passage of this Amendment, except Section 3 which shall become effective upon the passage of this Article.

"Section 6.

If any section, part, clause, or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected but will remain in full force and effect."

Tax Rates, Levies and Delinquencies

Table 11 presents a seven-year history of the city's secured tax levy, taxes collected, amounts delinquent and prior years' collections. During this period, delinquencies have averaged approximately 3.97%. The largest single factor contributing to this delinquency rate is a writ of mandate proceeding filed by the city's largest taxable property owner, Mission Investment Trust. Until these proceedings are resolved, the property owner will only pay back taxes necessary to keep the property out of receivership. On the average, this property owner accounts for nearly one-half of the delinquencies incurred by the city. Prior year's collections reduce the city's outstanding delinquency rate over the last seven years to an average of 1.8%.

TABLE 10
CITY OF DEL MAR
ASSESSED VALUATIONS

<i>Fiscal Year</i>	<i>Local Secured</i>	<i>Utility</i>	<i>Unsecured</i>	<i>Total Assessed Valuation for Revenue Purposes*</i>
1973/74	\$22,544,948	\$ 921,110	\$ 571,968	\$24,038,026
1974/75	23,726,909	1,035,610	1,225,279	25,987,798
1975/76	24,418,017	1,171,730	1,448,060	27,037,807
1976/77	38,128,694†	1,307,110	1,133,727	40,569,531
1977/78	39,924,014	955,860	1,352,214	42,232,088
1978/79	33,519,627	984,810	1,639,813	36,144,250‡

* Before homeowners' and business inventory exemptions.

† Increase due to reassessment performed by county in fiscal year 1975/76.

‡ Decrease due to implementation of tax-limitation initiative (Proposition 13).

Source: San Diego County Auditor-Controller's Office.

Prior to the passage of Proposition 13, the city, along with other municipalities and special purpose districts, levied property taxes, subject to certain legal limitations, as necessitated by the amount of funds sufficient to accommodate budgeted expenses. The implementation of Proposition 13 limited the tax receipts allowable from ad valorem property and required the counties to devise a method to distribute tax receipts to other taxing entities. Proposition 13 limits the amount of any ad valorem tax on real property to 1% (plus previously voted bond debt) of the full cash value, or 4% of the assessed value. These provisions were implemented pursuant to Senate Bill 154, Chapter 292 of the Statutes of 1978, as signed into law on June 24, 1978. Under SB 154, county tax rates will be \$4.00 per \$100 of assessed valuation (at 25% of market value) and distribution of these tax revenues to taxing agencies will be made according to a formula whereby each taxing entity receives a proportionate share. The formula in effect for the 1978/79 fiscal year is as follows:

TABLE 11
CITY OF DEL MAR
SECURED TAX LEVIES AND DELINQUENCIES

Fiscal Year	Secured Tax Levies*	Taxes Collected*	Delinquencies June 30*		Prior Years' Collection‡
			Amount	Percent	
1971/72	\$171,889	\$170,100	\$ 1,789	1.04%	\$ 1,863
1972/73	189,688	183,716	5,972	3.15†	2,564
1973/74	242,221	231,845	10,376	4.28†	2,548
1974/75	252,582	238,357	14,225	5.63†	4,761
1975/76	267,683	254,370	13,313	4.97†	5,640
1976/77	402,398	383,442	18,956	4.71†	5.813
1977/78	403,239	391,157	12,082	2.99†	18,650

* Source: San Diego County Auditor-Controller's Office.

† A major component of the tax delinquencies since 1972 has been the delinquency of the largest single taxable property constituting approximately 1.5% of the assessed value of current secured taxable property in the city. As of the date of this Official Statement, current taxes have not been paid, and represent up to 50% of the above-shown annual delinquencies.

‡ Source: City of Del Mar Finance Department.

The factor is computed by determining the average amount of property tax revenue received by a local agency in the fiscal years 1975/76, 1976/77, and 1977/78, and dividing the amount by the average of the total amount of property tax revenues received by all local agencies in those three fiscal years. The factor is then multiplied by the tax revenues collected from the \$4.00 levy and apportioned accordingly to the local agency.

Table 12 presents the city's tax rate schedule for the past six years and a component breakdown for this year's tax rate. Based on the implementation of Proposition 13, the effective tax rate for the City of Del Mar has been reduced from \$1.07 per \$100 assessed valuation to \$0.790. This new tax rate represents that levy sufficient to generate tax revenue limited by Proposition 13 to 1% of the full cash value of real property and to amortize previously authorized general obligation bonded debt.

TABLE 12
CITY OF DEL MAR
TAX RATES AND
TAX RATE COMPONENTS

Fiscal Year	Tax Rate
1972/73	\$1.10
1973/74	1.10
1974/75	1.10
1975/76	1.11
1976/77	1.07
1977/78	1.07
1978/79	0.79*

1978/79 TAX RATE
COMPONENTS

General Fund†	\$0.390
Capital Improvement Fund†	.084
Sewer General Obligation Bonds	.129
Open Space General Obligation Bonds	.187
Total Tax Rate	\$0.790

* Includes tax rate to support outstanding general obligation bonded debt.

† Represents tax rate equivalent necessary to generate revenue allowable under Proposition 13.

Source: City of Del Mar Finance Department.

The 1978/79 tax rates cited for the general fund and the capital improvement fund are, therefore, tax rate equivalents necessary to generate tax revenue allowable under Proposition 13 and not tax rates per se. The County is responsible for apportioning tax revenues according to the formula described above.

Table 13 presents a component breakdown of the total tax rate for the city for all taxing entities for 1977/78 and 1978/79. Based on the implementation of Proposition 13, the total tax rate decreased over 40%. The county apportions tax receipts to other taxing entities from the \$4.00 tax levy based on the formula described above.

TABLE 13
CITY OF DEL MAR
1977/78 TAX RATES
SAN DIEGO COUNTY
TAX CODE AREA 11001

<i>Taxing Entity</i>	<i>Tax Rate</i>
County general	\$1.802
County debt service	.023
County library	.135
Del Mar City tax	1.070
Elementary school	1.420
High school	1.550
Community college	.928
Other educational purposes	1.297
Special tax districts	.306
Total Tax Rate	\$8.531

1978/79 TAX RATES

County general	\$4.000
Previously authorized debt	.878
Total Tax Rate	\$4.878

Source: San Diego County Auditor-Controller's Office.

Major Taxable Property Owners

Table 14 lists the major taxable property owners in the City of Del Mar based on their 1978/79 secured assessed valuation. The ten largest taxable property owners constitute from 1.6% to 0.5% of the secured assessed valuation of the city and collectively they constitute approximately 8% of the assessed valuation.

TABLE 14
1978/79 MAJOR TAXABLE PROPERTY OWNERS

<i>Property Owner</i>	<i>Secured Assessed Valuation for Revenue Purposes*</i>
Mission Investment Trust	\$ 564,400
Mosier, Martin H. III, Jr., Mosier, Patricia J. P., Jr.	462,250
Bryson, Richard and Terry, Stephens, John	312,125
Beach Colony I	310,837
Del Mar Inn Associates	244,117
Wright, McKellar & Wyer	190,524
Crumley, Jack W., McGinnis, Robert E., Bottomley, Robert E., Trs.	184,125
Del Mar Plaza Corporation	185,725
Del Mar Medical Properties	172,425
Wavecrest Apartments	169,414
Total	\$2,795,942

* Before homeowners' and business inventory exemptions.
Source: San Diego County Auditor-Controller's Office.

Employee Retirement

Under the terms of the public employees, retirement system of California (P.E.R.S.), the city provides a retirement plan covering all full-time employees. The total city contribution to P.E.R.S. in fiscal year 1977/78 was \$52,801, accompanied by \$33,120 contributed by employees. The percentage of salary to be contributed in 1978/79 by the city will be 15.361% for safety employees and 11.154% for others, and the percentage of salary contributed by employees will be 5.87% – 11.7% for safety categories and 7% for others.

P.E.R.S. is required by state law to undergo a systems evaluation at least every four years. Periodic intervening checks of actuarial assumptions and other aspects of the system are also made. The June 30, 1976 audit of P.E.R.S. by Coopers & Lybrand, Certified Public Accountants, reported an accrued actuarial liability and present value of benefits for active and inactive members totaling approximately \$14.6 billion. Assets available for benefits were placed at about \$7.9 billion leaving an unfunded liability of about \$6.7 billion.

Upon completion of the 1975 systemwide evaluation, actuaries then determined that restoration and maintenance of the system's necessary balances required a three-step annual increase of 1% in the average percentage employer contribution beginning July 1, 1976.

As of July 1, 1977, P.E.R.S. calculated that the City of Del Mar had a present value liability for all benefits for miscellaneous categories of \$574,074 with cash and credited assets of \$476,256, leaving a future liability of \$97,818. The safety category had a present value liability for all benefits of \$711,682 with cash and credited assets totaling \$593,453, leaving a future liability of \$118,229.

According to P.E.R.S., the city will amortize its future liability at a current rate of 1.547% of payroll for general categories and 2.771% of payroll for safety categories, until the year 2000. These percentages are included in the percentage employer contributions for fiscal year 1977/78 quoted above. The future funded liability for prior service benefits for safety employees will require amortization until the year 2001 at the rate quoted above. Prior service is defined by P.E.R.S. law as service prior to the date of the agency's contract with P.E.R.S. The City of Del Mar contracted with P.E.R.S. on July 1, 1970.

Pending Litigation

The city is defendant in one inverse condemnation action, asking for approximately \$1,000,000 in damages. The city is one of many named governmental defendants in a class action for \$10,000,000 in damages alleging flooding damage in the city and county of San Diego. In the opinion of the City Attorney and of Special Counsels to the city, the city will prevail in these actions. In addition, the city is the defendant in one personal injury action. Counsel indicates that insurance will cover financial exposure, if any. There is no other pending litigation in which an unfavorable result would adversely affect the city's financial position.

There is no litigation pending concerning the validity of the bonds, the corporate existence of the city, or the title of the officers thereof to their respective offices, and the city will furnish to the successful bidder a no-litigation certificate certifying to the foregoing as of and at the time of delivery of the bonds.

Del Mar General Fund

Table 15 presents the city's general fund statement of revenues, expenditures and encumbrances and changes in fund balances for the last five years and the approved budget for the current fiscal year. The general fund is maintained on the modified accrual basis. Beginning in 1977/78 several special revenue funds were incorporated into the general fund. In order to allow a five-year comparison of fund balances, these special funds were added to the general fund for 1973/74 through 1976/77 which causes the totals in these earlier years to differ from the published financial statements accompanying the auditor's reports. The adjusted values have been reviewed for consistency with the published financial statements by the city's auditor.

During the last five years, total revenue has increased approximately 89% while expenses have increased approximately 69%. Major revenue sources include sales and use taxes, property taxes and admissions taxes.

During this period, retail outlets in Del Mar have remained fairly constant but taxable transactions have increased over 40% which accounts for the steady increase in sales and use tax revenues (see Table 24). Prior to the implementation of Proposition 13, property tax revenue had been the single-largest revenue source to the city and had increased over 75% during this period. The implementation of Proposition 13 resulted in a projected decrease in property taxes for general fund purposes of nearly 50% for 1978/79. This loss has been somewhat mitigated by a State contribution of over \$77,000 for 1978/79 and a series of budget reductions in expenditures. The city reports that there will occur no loss of essential municipal services as a result of the tax revenue reductions.

The other major revenue source is the admissions tax to the racetrack and fairgrounds complex during the summer racing season. The tax is \$0.40 per admission with lower charges for senior citizens. Approximately 60% of the admissions tax receipts go to the general fund with the balance to the city's "Open Space" special revenue fund. The racetrack and fairgrounds complex attracts an average of 640,000 patrons annually resulting in gross revenue to the city of over \$250,000.

The major category of expenses is public safety which includes police and fire protection, animal control and lifeguard services. The lifeguard contingent was reduced as a result of the implementation of Proposition 13. The budgeted expenses for 1978/79 show a net reduction in expenses of nearly 5% compared to the previous year.



The Del Mar Racetrack hosts a 43-day racing season beginning in late July that attracts 640,000 patrons annually. The city receives \$.40 tax per admission which results in revenues of over \$250,000 which is divided between the city's General and Open Space funds.

TABLE 15
CITY OF DEL MAR
GENERAL FUND^①

	1973/74	1974/75	1975/76	1976/77	1977/78	Approved Budget 1978/79
Revenue						
Sales and use taxes	\$ 98,389	\$113,338	\$117,865	\$142,035	\$ 159,784	\$164,000
Property taxes	202,299	216,194	193,652 ^②	319,303	354,657	185,309
Admissions taxes	79,771	80,915	152,095	148,645	153,174	155,297
Other taxes ^③	27,773	25,071	34,450	43,610	59,685	55,500
Licenses and permits	28,812	46,114	41,931	49,195	52,341	53,200
Fines and forfeitures ^④	15,393	20,458	12,661	14,291	13,418	12,700
Intergovernmental revenue ^⑤	59,121	60,416	78,569	82,836	190,256	204,388 ^⑥
Current services	16,812	15,734	20,350	43,026	52,208	85,300
Other ^⑦	44,743	33,047	37,007	38,656	45,784	38,190
Total Revenue	\$573,113	\$611,287	\$688,580	\$881,597	\$1,081,307	\$953,884
Expenditures and Encumbrances						
General government	\$145,365	\$133,249	\$173,121	\$178,018	\$ 217,556	\$208,765
Planning	34,819	55,140	47,924	50,467	81,756	101,206
Public safety ^⑧	314,429	329,413	411,949	483,827	504,902	538,111
Public works ^⑨	84,041	69,668	63,188	67,583	104,255	61,466
Capital improvements ^⑩	—	145,325	15,000	3,339	67,006	22,438
Total Expenditures and Encumbrances	\$578,654	\$732,795	\$711,182	\$783,234	\$ 975,475	\$931,986
Net Interfund Transfers	\$ (35,299)	\$ 95,727	\$ 36,947	\$ (47,411)	\$ (59,123)	\$ 26,327
Excess (Deficiency) of Revenues and Transfers to Expenditures and Encumbrances	\$ (40,840)	\$ (25,781)	\$ 14,345	\$ 50,952	\$ 46,709	\$ 48,225
Beginning Fund Balance	\$ 79,978	\$ 39,138	\$ 13,357	\$ 27,702	\$ 78,654	\$125,363
Ending Fund Balance^⑪	\$ 39,138	\$ 13,357	\$ 27,702	\$ 78,654	\$ 125,363	\$173,588
Capital Reserve	\$ 94,753	\$ 7,577	\$ 29,358	\$ 5,827	\$ 52,207	\$ 61,777
Total Fund Balance and Capital Reserve	\$133,891	\$ 20,934	\$ 57,060	\$ 84,481	\$ 177,570	\$235,365

① Table 15 reviewed by city's Finance Officer for consistency with audited financial statements and city's 1978/79 Approved Budget.

② 1975/76 property taxes reduced approximately \$20,000 resulting from an action settled in favor of Servomation, Inc. for 1974/75 unsecured taxes.

③ Includes property transfer, livestock and transient occupancy taxes.

④ Includes vehicle fines and court fines. Prior to 1977/78 the city's auditor presented vehicle fines in the "Traffic Safety" Special Revenue Fund.

⑤ Includes cigarette taxes, Community Development Block Grants, and State and local grants.

⑥ Includes State subsidy of approximately \$77,000 to compensate for lost revenue due to Proposition 13.

⑦ Includes franchise and interest income and income reported in the "Flood Control and Drainage" Special Revenue Fund prior to 1977/78.

⑧ Includes police and fire protection, traffic safety, animal control, and lifeguard services.

⑨ Includes flood control and drainage, and beach erosion and recreation.

⑩ Includes block grant projects, civic center professional fees, drainage projects and miscellaneous consulting fees for capital improvements.

⑪ General Fund Balances as reported in the audits prior to 1977/78 do not include "Traffic Safety" and "Flood Control and Drainage" Special Revenue Funds.

Source: Compiled from city's financial statements audited by Carroll & Pendleton, Associates, Certified Public Accountants, for 1973/74 through 1977/78, and from the city's approved annual budget for 1978/79.

Special Revenue Funds

Table 16 presents a statement of revenues, expenditures and encumbrances, transfers, and fund balances for the city's special revenue funds. The city maintains these funds on the modified accrual method of accounting. The Gas Tax Fund revenues are derived from state collected gasoline taxes that are apportioned to the city based on population. Expenditures from this fund are solely for maintenance and construction of streets.

Federal revenue sharing to the city has been fairly constant over the last five years. These funds have been used mainly to operate a day-care facility in the city and to finance minor capital improvements. The Retirement Fund was formerly used to account for all city and employee contributions into P.E.R.S. Beginning in 1978/79, contributions will be accounted for by debiting the benefitting department and, as such, will no longer be separately reported.

The Open Space Fund is supported by a portion of the admissions taxes and by a filing charge on new and rehabilitation construction. Proceeds are used to maintain the city's open space areas.

Utility Funds

Table 17 presents a five-year history of the city's utility funds. This table presents both funds on a consolidated basis. Metered water sales and sewer charges apply to the Water Fund and Sewer Fund, respectively. Property tax revenue is received by the Sewer Fund. The nearly 50% increase in sewer charge revenue in 1978/79 over the previous year was due to a rate increase implemented in June, 1977.

Expense categories that apply to the Water Fund include cost of purchased water, production and distribution. Expense categories that apply to the Sewer Fund include collection, and treatment and disposal. Expense categories common to both funds include depreciation, accounting, general and administrative.

In 1977/78, the Water Fund had a retained earnings balance of \$379,053 and the Sewer Fund had \$248,184.

As a member of the San Diego County Water Authority and the Metropolitan Water District of Southern California, the city is allotted a water entitlement that exceeds current water usage by over three-to-one. The principal source for the city's water is the Colorado River. Before being delivered to the city, water is filtered by the city of San Diego and subjected to sufficient pressure to meet delivery requirements in the city's three pressure zones. The recent California drought had no effect on the city's water allotment.

City sewage is collected and transported by pipeline for treatment to the San Diego Metropolitan Sewer System. The facilities necessary to connect the city to the metropolitan system were in operation in 1975. Prior to that time, the city owned and operated its own collection and treatment system, which discharged effluent into the San Dieguito Lagoon. The San Diego System is in compliance with current Federal water pollution guidelines and is being upgraded to provide secondary treatment for effluent.

TABLE 16
CITY OF DEL MAR
SPECIAL REVENUE FUNDS^①

	1973/74	1974/75	1975/76	1976/77	1977/78	Approved Budget 1978/79
Revenue						
Gas Tax ^②	\$ 56,957	\$ 60,095	\$ 58,726	\$ 68,861	\$ 69,446	\$ 69,501
Federal revenue sharing	25,031	27,231	23,931	31,664	33,268	30,800
Retirement fund contributions	35,263	39,711	47,908	61,283	64,032	— ^③
CETA ^④	7,462	40,517	64,335	50,619	44,124	45,751
Open space ^⑤	—	14,034	54,058	66,800	87,903	161,306
Parks and boulevards	6,388	10,813	9,525	15,570	—	—
Expenditures and Encumbrances						
Gas Tax ^⑥	\$ 22,275	\$ 37,545	\$ 18,181	\$ 26,397	\$134,142	\$ 97,264
Federal revenue sharing ^⑦	15,000	30,882	53,000	9,414	10,235	12,344
Retirement fund	37,149	42,071	51,922	61,618	70,300	—
CETA	8,536	41,441	63,653	50,318	44,137	45,751
Open space	—	—	19,457	38,328	27,853	8,000
Parks and boulevards	8,911	12,532	9,131	11,054	—	—
Net Interfund Transfers (to General Fund)						
Gas Tax	\$ —	(\$ 1,000)	\$ —	(\$ 14,515)	\$ —	\$ —
Federal revenue sharing	—	(4,000)	(5,444)	(5,444)	(5,555)	—
Retirement fund	—	—	—	—	7,492	—
CETA	—	—	—	—	—	(46)
Open space	—	—	—	—	(80,000)	—
Parks and boulevards	—	—	—	(5,307)	—	—
Ending Fund Balances						
Gas Tax	\$164,149	\$185,699	\$226,244	\$254,193	\$189,497	\$161,734
Federal revenue sharing	39,433	31,782	(2,731)	14,075	31,553	50,009
Retirement fund	2,433	73	(3,941)	(4,276)	(3,052)	—
CETA	—	(924)	(242)	59	46	—
Open space	—	14,034	48,635	77,107	57,157	210,463
Parks and boulevards	2,116	397	791	—	—	—

① Table 16 reviewed by city's Finance Officer for consistency with city's audited financial statements and with the city's approved budget.

② Gas Tax Fund revenues are derived from state collected gasoline taxes that are apportioned to the city based on population.

③ Retirement Fund contributions are disaggregated in 1978/79 and collected from city departments by employee category and accounted for in the General Fund.

④ Federal manpower program (Comprehensive Education Training Assistance).

⑤ Open Space Fund revenue derived from construction tax (charge per square foot for new or rehabilitation construction within city) and a portion of admissions taxes (to racetrack and fairgrounds complex).

⑥ Gas tax expenditures are used solely for the maintenance and construction of streets.

⑦ Funds from Federal Revenue Sharing Fund have been used to operate a day-care center in the city, purchase of various equipment and minor capital projects.

Source: Compiled from city's financial statements audited by Carroll & Pendleton, Associates, Certified Public Accountants, for 1973/74 through 1977/78, and from city's approved budget for 1978/79.

Balance Sheet

Table 18 presents the balance sheet for all city funds for the last fiscal year. The fund balance for the General Fund is derived in Table 15. Revenue for the Capital Projects Fund was principally obtained from the Sewer Surplus Fund in fiscal year 1974/75 to acquire land intended as the site for

a civic center. Current plans for the civic center include council chambers, meeting rooms, and county library facilities. Financing for the civic center is expected to be obtained from bond proceeds issued by a Joint Powers Authority with the city and county as members. The joint powers agreement

was approved by the city council on August 15, 1977 and was subsequently ratified by the county supervisors. The city would lease the facility from the authority in an amount sufficient to pay debt service on the bonds. A portion of bond proceeds would be used to reimburse the Sewer Surplus Fund.

TABLE 17
CITY OF DEL MAR
UTILITY FUNDS OPERATING STATEMENT*
(Water and Sewer Combined)

	1973/74	1974/75	1975/76†	1976/77†	1977/78
Operating Revenues					
Metered water sales	\$210,161	\$238,506	\$253,116	\$264,223	\$283,019
Sewer charges	151,806	158,177	162,790	167,946	248,601‡
Sewer inclusion fees	7,900	6,600	5,400	5,600	6,200
Customer penalties	911	1,687	1,089	1,162	1,271
Miscellaneous	1,593	473	1,903	1,031	1,771
Property taxes	21,775	16,602	14,369	21,299	22,294
Water conservation charges	—	—	—	9,198	16,204
Total Operating Revenues	\$394,146	\$422,045	\$438,667	\$470,459	\$579,360
Operating Expenses					
Purchased water	\$ 53,381	\$ 48,233	\$ 65,358	\$ 58,765	\$ 63,515
Production	26,756	27,565	26,256	24,649	24,189
Collection	24,414	62,523	80,009	96,192	110,417
Depreciation	33,005	40,374	42,031	47,645	54,573
Distribution	27,214	28,488	29,891	41,770	49,068
Treatment	22,667	32,595	23,384	24,191	45,539
Accounting	25,158	24,040	30,284	30,516	41,004
General and administrative	38,959	42,808	48,387	54,856	62,495
Total Operating Expenses	\$251,554	\$306,626	\$345,600	\$378,584	\$450,800
Retained Earnings					
Balance brought forward	\$163,444	\$294,464	\$407,809	\$476,036	\$539,010
Operating revenues	394,146	422,045	438,667	470,459	579,360
Interest earned	46,601	54,524	29,686	20,854	18,877
Federal grant	—	—	—	—	6,879
Operating expenses	(251,554)	(306,626)	(345,600)	(378,584)	(450,800)
Amortized bond discount	(651)	(620)	(574)	(555)	(518)
Bond interest	(55,230)	(53,478)	(51,452)	(49,200)	(47,023)
Transfers	(2,292)	(2,500)	(2,500)	—	(18,548)
Retained Earnings	\$294,464	\$407,809	\$476,036	\$539,010	\$627,237

* Table 17 reviewed by city's Finance Officer for consistency with city's audited financial statements.

† Water conservation charges levied to encourage reduced water consumption during the California drought of 1976 and 1977. The city has terminated these charges in 1978/79.

‡ Sewer income increased due to sewer rate increase effective June 15, 1977.

Source: Compiled from city's financial statements audited by Carroll & Pendleton, Associates, Certified Public Accountants.

TABLE 18
CITY OF DEL MAR
1977/78 COMBINED BALANCE SHEET—ALL FUNDS*
June 30, 1978

	General Fund	Special Revenue Funds	Utility Funds	Capital Projects Funds	1977 Open Space Bonds		Equipment Revolving Fund	Bonded Debt
					Acquisition Fund	Debt Service Fund		
Assets								
Cash in treasury (overdrawn)	\$ 11,651	\$ 10,327	\$ 8,239	\$ 15,476	\$ (873)	\$ 1,565	\$(5,925)	\$ —
Investments†	298,500	312,424	281,289	100,000	230,126	74,450	3,000	—
Revolving cash funds	200	—	145	—	—	—	—	—
Accounts and taxes receivable	83,215	20,700	64,033	1,082	1,903	441	23	—
Due from other funds	5,185	5,361	132,475‡	—	—	—	4,706	—
Inventories of materials and supplies	—	—	22,732	—	—	—	—	—
Utility plant in service (net of depreciation) — at cost	—	—	2,281,071	—	—	—	—	—
Unamortized bond discount	—	—	4,039	—	—	—	—	—
Amounts to be provided for bonds and other loans payable	—	—	—	132,000	—	—	—	1,270,000§
	\$398,751	\$348,812	\$2,794,023	\$248,558	\$231,156	\$76,456	\$ 1,804	\$1,270,000
Liabilities, Reserves, Fund Balances and Retained Earnings								
Accounts payable and accrued expenses	\$ 28,407	\$ —	\$ 34,796	\$ —	\$ —	\$ —	\$ —	\$ —
Accrued interest	—	—	19,427	—	—	—	—	—
Matured unpaid coupons	—	—	—	—	—	1,160	—	—
Advances from municipality — general obligation bonds	—	—	435,000	—	—	—	—	—
Customers' deposits	16,681	—	14,321	—	—	—	—	—
Revenue bonds payable	—	—	590,000¶	—	—	—	—	—
Bonds payable — general obligations	—	—	—	—	—	—	—	1,270,000
Deferred revenue	1,200	—	—	—	—	—	—	—
Due to other funds	7,278	5,416	3,007	132,000‡	—	—	26	—
Reserves for								
Encumbrances	155,104	68,194	—	14,739	5,000	—	1,778	—
Debt service	—	—	84,414	—	—	70,000	—	—
Conservation	—	—	18,548	—	—	—	—	—
Capital improvements	52,207	—	—	—	—	—	—	—
Specified contributions	12,511	—	—	—	—	—	—	—
Contribution in aid of construction	—	—	967,273	—	—	—	—	—
Fund balances	125,363	275,202	—	101,819	226,156	5,296	—	—
Retained earnings	—	—	627,237	—	—	—	—	—
	\$398,751	\$348,812	\$2,794,023	\$248,558	\$231,156	\$76,456	\$ 1,804	\$1,270,000

* Table 18 reviewed by city's Finance Officer for consistency with audited financial statements.

† Substantially all investments were in certificates of deposits and are stated at cost. Market value approximates cost.

‡ \$132,000 lent to Capital Projects Funds from Sewer Fund in 1974/75 for a civic center site. Source of repayment is expected to be obtained from bond proceeds issued by a Joint Powers Authority with the City of Del Mar and the County of San Diego as members.

§ At a special election held on April 14, 1970, \$1,700,000 general obligation sewer bonds were authorized. \$530,000 of the bonds were issued on January 15, 1972 leaving \$1,170,000 unissued as of this date. An additional \$20,000 sewer bonds matured on January 15, 1979.

¶ An additional \$25,000 of revenue bonds were retired on December 15, 1978.

Source: Compiled from city's financial statements for 1977/78 audited by Carroll & Pendleton, Associates, Certified Public Accountants.

Direct and Overlapping Bonded Debt

A statement of direct and overlapping bonded indebtedness applicable to the city is presented in Table 19. In 1970 the voters of Del Mar authorized the issuance of \$1,700,000 general obligation sewer bonds. In 1972, \$530,000 Series A Sewer Bonds were sold to finance the connection of the city's sewer system to the San Diego Metropolitan System. Of this amount, \$415,000 is currently outstanding and is in part being financed by a \$0.129 city tax levy and in part by sewer operating revenues. No plans have been made at this time for the sale of the remaining unissued \$1,170,000 of general obligation sewer bonds.

In 1965 the city issued \$570,000 principal amount of water revenue bonds and \$175,000 of sewer revenue bonds. These obligations are secured by and payable solely from revenues of the water and sewer enterprises, respectively. As of this date, \$460,000 of the 1965 water revenue bonds and \$105,000 of the sewer revenue bonds are outstanding. An additional \$400,000 of water revenue bonds are being sold on March 5, 1979.

In 1977 city voters approved the issuance of \$1,500,000 general obligation Open Space Bonds. Series A, consisting of \$850,000, was sold on April 1, 1977 and is being supported by a \$0.187 city tax rate. There are currently \$835,000 Series A Bonds outstanding. The remaining authorization of \$650,000 is being sold on March 5, 1979.

TABLE 19
CITY DIRECT AND ESTIMATED OVERLAPPING BONDED DEBT*

1978 Population	5,175	
1978/79 Assessed Valuation	\$36,144,250†	
Entity	Percent Applicable	Debt Applicable, March 5, 1979
San Diego County	0.462%	\$ 10,441‡
San Diego Building Authorities	0.462	125,410
San Diego County Water Authority	0.483	240,220
Metropolitan Water District of Southern California	0.069	357,796
Oceanside-Carlsbad Community College District	3.969	47,628
San Dieguito Union High School District	7.120-7.435	563,749
Del Mar Union School District (Various Issues)	41.770-41.830	596,231
City of Del Mar	100.	1,900,000§
Total Direct and Estimated Overlapping Debt		\$3,841,475
	Ratio to	
	Assessed Valuation	Per Capita
Assessed Valuation	—	\$6,984
Direct Bonded Debt	5.26%	367
Direct and Overlapping Bonded Debt	10.63%	742
Share of Authorized and Unsold Bonds:		
City of Del Mar	\$1,170,000¶	
Del Mar Union School District	41,830	
Metropolitan Water District	251,850	

* Compiled by California Municipal Statistics, Inc.

† Before homeowners' and business inventory exemptions.

‡ Excludes share of \$4,602,108 San Diego County lease-purchase obligations (\$21,262).

§ Includes \$650,000 Open Space Bonds to be sold March 5, 1979; excludes \$460,000 of 1965 water revenue bonds and \$105,000 sewer revenue bonds and \$400,000 water revenue bonds to be sold on March 5, 1979.

¶ Includes \$1,170,000 Sewer General Obligation Bonds. The city currently has no plans to issue these bonds.

THE CITY AND VICINITY

The City of Del Mar is a residential community located on the Pacific coastline 20 miles north of central San Diego and 105 miles south of Los Angeles. Del Mar is bounded by beach for about two and one-half miles, extends inland one mile at its widest point, and contains 1,070 acres. Originally settled in the early 1800's for ranching purposes, the area has gradually given way to residential development because of its exceptionally attractive climate, location, and scenic surroundings. This city has been noted for its village-like atmosphere.

Local residents successfully campaigned in the mid-1960's against locating a major freeway along the coastline, resulting in the construction of Interstate 5 inland and outside of the city limits. The resultant decrease in traffic affected some businesses adversely, but the overall effect has been to strengthen a locally-oriented business community. Today, Del Mar may be described as a quiet village that has sought to maintain its identity

through careful planning and open space acquisition. The city offers unusual recreational opportunities to its residents and visitors throughout the year.

Population Characteristics

Table 20 presents the population history of the city since its incorporation. Population growth in the city has approximated 65% in the last 18 years, nearly proportional to that of the county. Pressures for continued growth in Del Mar are high. The new freeway junction of Interstates 5 and 805, continued expansion of the University of California five miles to the south, new businesses which have located in Sorrento Valley and Torrey Pines Industrial Parks, and urbanization in the northernmost part of the City of San Diego, are expected to catalyze growth both in and near Del Mar. The City of Del Mar planning department projects another 16% increase in the city's population over the next 12 years.

Employment

Del Mar is essentially a residential community offering commercial and several specialized employment opportunities within the city limits. Aside from the numerous commercial establishments located in Del Mar, Jacor, an electronics research firm, offers employment to 80 local residents. Jacor has plans to expand into production in the near future. Other employment opportunities may be found at the fairgrounds complex located in the northern part of the city. Employment at the Thoroughbred Club and the San Diego County Fairgrounds is seasonal, ranging up to 500 at the fairgrounds and 2,000 at the racetrack. Income of Del Mar residents, however, comes principally from employment outside the community.

Del Mar is situated within easy commute distance to four industrial areas. Sorrento Valley Industrial Park is essentially a light manufacturing center for electrical machinery and ceramics and contains several hundred firms offering a total of approximately 4,000 jobs. Located just three miles south of the city, Sorrento Valley has 14 manufacturers with 100 or more employees. Torrey Pines Industrial Park is located four miles south of Del Mar, offers employment to approximately 3,000 persons, and is expanding rapidly. Major occupants include General Atomic Company, Scripps Research Division, a life insurance company and a subsidiary of Eastman Kodak.

Miramar Road Industrial Park is mainly a distribution center located about five miles southeast of Del Mar.

TABLE 20
POPULATION STATISTICS

<i>April 1</i>	<i>City of Del Mar</i>	<i>County of San Diego</i>
1950	Not Incorporated	556,808
1960	3,124	1,033,011
1970	3,956	1,357,854
1978*	5,175	1,694,800
1990	6,000†	2,216,400‡

* As of January 1, 1978. Estimated by the California Department of Finance.
† Estimated by the Del Mar Planning Department.
‡ Estimated by the Comprehensive Planning Organization of the San Diego Region.
Source: State of California, Population Research Division.



Del Mar serves as one of four Amtrak System railway stations between San Diego and Los Angeles. (Photo credit Del Mar News Press.)



The San Diego County Fairgrounds are situated adjacent to the racetrack and host a number of annual events, including the Southern California Exposition. (Photo credit 22nd Agricultural District.)

Major employers located there include PSA and Fed Mart. In 1978, about 500 of the 1,600 persons employed in this area were involved in the wholesale trade.

The major industrial area in the county is located just ten miles southeast of Del Mar and is connected via the recently completed Interstate 805. Kearny Mesa Industrial Area has industry employing over 31,000 persons. Major employers with 1,000 or more employees include Solar, a division of International Harvester; Convair, a division of General Dynamics; Teledyne Ryan Aeronautical Company; Food Maker, Inc., a division of Ralston Purina; and Electrodynamics, a division of General Dynamics.

Other nearby employers include the University of California at San Diego with several thousand employees and the Miramar Naval Air Station with approximately 3,000 employees. Both are located about five miles from Del Mar.

Table 21 presents the major employers of the county as compiled by the San Diego Chamber of Commerce for 1979. All employers are within a twenty-mile commute distance from Del Mar. Table 22 lists employment by category for the region.

Wholesale and retail trade, services, and government categories share approximately equal proportions of the labor market at 24%, 22%, and 23% respectively. The State reports a preliminary unemployment rate of 6.9% for the county for 1978.

TABLE 21
MAJOR EMPLOYERS, 1979
SAN DIEGO COUNTY

<i>Firm</i>	<i>Product or Service</i>
Employee Range 5,000-9,999	
Convair, a Division of General Dynamics	Aerospace parts
National Steel & Shipbuilding Co.	Shipbuilding and repairing
Pacific Telephone & Telegraph Company	Telephone service
Rohr Industries, Inc.	Aerospace parts
Employee Range 3,000-4,999	
Bechtel Power Corporation	Engineering, construction
The Fedmart Corporation	Department stores
Foodmaker Inc.	Convenience foods
San Diego Gas & Electric Co.	Gas and electric service
Sears, Roebuck & Co.	Department stores
Solar Turbines International	Gas turbines
Employee Range 2,000-3,999	
Bank of America, N. T. & S. A.	Banking services
California First Bank	Banking services
Cubic Corporation	Manufacturing
General Atomic Company	Nuclear power plant
Pacific Southwest Airlines	Air transportation
Safeway Stores, Inc.	Grocery stores
Employee Range 1,000-1,999	
Alpha Beta Acme Markets, Inc.	Grocery stores
Atlas Hotels, Inc.	Hotel services
Big Bear Markets, Inc.	Grocery stores
Broadway Department Stores	Department stores
Campbell Industries	Food processing
Casa Blanca Convalescent Centers	Hospital services
Consolidated Facility Services, Inc.	Janitorial services
Food Basket, Lucky Stores	Grocery stores
General Dynamics, Electronics Division	Aerospace parts
Home Federal Savings & Loan Association	Banking services
K-Mart Corporation	Department stores
Kaiser-Permanente Medical Care Program	Hospital services
La Costa Resort Hotel & Spa	Recreational facilities
Les Land Enterprises, Inc.	Garden patrol services
The May Company	Department stores
Mercy Hospital & Medical Center	Health care facilities
Montgomery Ward & Co.	Department stores
J. C. Penney Co., Inc.	Department stores
NCR Corp. Engineering and Manufacturing	Cash registers
Ratner Corporation	Clothing manufacturing
San Diego Trust & Savings Bank	Banking services
Scripps Clinic and Research Foundation	Hospital services
Donald M. Sharp Memorial Community Hospital	Hospital services
Sony Corporation	Electronics
Teledyne Ryan Aeronautical Co.	Aerospace parts
Union Tribune Publishing Co.	Newspaper publishers
Van Camp Sea Food Company	Food processing
Vons Grocery Co.	Grocery stores
Zoological Society of San Diego	Zoological gardens

Source: Economic Research Bureau, San Diego Chamber of Commerce.

TABLE 22
SAN DIEGO COUNTY, 1978
NONAGRICULTURAL EMPLOYMENT BY INDUSTRY

<i>Industry</i>	<i>Employment</i>
Mining	800
Construction	38,900
Manufacturing	84,100
Transportation, Communication, and Utilities	26,200
Wholesale and Retail Trade	141,300
Finance, Insurance, Real Estate	35,500
Services	131,200
Government	135,800
Total	593,800

Source: California State Employment Development Department.

Building Activity

The predominantly single-family character of the community changed between the late 1960's and 1974 when multi-family construction permits out-paced single-family unit construction. The proportion of the multiple residential units, which stood at 32% of the total dwelling units in the community in 1968, rose to about 50% by 1974. Table 23 presents all building activity trends for the city for the last six years. Construction activity has remained fairly constant and moderate as the maximum desired growth level in the city has been approached.

TABLE 23
CITY OF DEL MAR
NEW CONSTRUCTION VALUATIONS

	1973	1974	1975	1976	1977	1978
Single family	\$ 577,000	\$ 488,000	\$ 777,000	\$ 991,000	\$1,482,000	\$1,380,000
Multi-family	1,068,000	515,000	66,000	55,000	164,000	209,000
Other residential	190,000	152,000	256,000	282,000	349,000	483,000
Residential Totals	\$1,835,000	\$1,155,000	\$1,099,000	\$1,328,000	\$1,995,000	\$2,072,000
Commercial	\$ 113,000	\$ 140,000	\$ 303,000	\$ 313,100	\$ 247,000	\$ 214,000
Industrial	—	65,000	—	—	—	—
Other commercial and industrial	56,000	129,000	29,000	153,000	174,000	233,000
Commercial and Industrial Totals	\$ 169,000	\$ 334,000	\$ 332,000	\$ 466,000	\$ 421,000	\$ 447,000
Total Valuations	\$2,004,000	\$1,489,000	\$1,431,000	\$1,794,000	\$2,416,000	\$2,519,000
NUMBER OF DWELLING UNITS						
Single family	17	14	16	19	30	28
Multi-family	56	28	2	2	6	6
Total Dwelling Units	73	42	18	21	36	34

Source: "California Construction Trends", Security Pacific Bank.

Commercial Activity

The most outstanding characteristic of Del Mar's economy is the seasonal variation in retail sales due to the tourist trade. About 40% of the city's volume of taxable retail sales can be attributed to the influx of tourists attracted to the local beaches, the Southern California Exposition, and the Del Mar racetrack. This activity mainly occurs in the first quarter of the fiscal year. Commercial activity in the city over the last five reporting years has shown over a 50% increase. Table 24 presents the commercial activity totals for the city.

The commercial facilities in Del Mar emphasize the city's village-like atmosphere. Although the city is basically residential in character, sales and use taxes constitute approximately 16% of total city revenues. (Photo credit Del Mar News Press.)



TABLE 24
CITY OF DEL MAR
TAXABLE TRANSACTIONS AND NUMBER OF SALES TAX PERMITS

	<i>Retail Stores</i>	<i>Total Outlets</i>
1973		
Value	\$7,039,000	\$ 9,143,000
Number	70	125
1974		
Value	\$7,930,000	\$ 9,998,000
Number	78	150
1975		
Value	\$8,101,000	\$10,726,000
Number	86	190
1976		
Value	\$8,259,000	\$12,431,000
Number	78	207
1977		
Value	\$9,993,000	\$14,047,000
Number	77	230

Source: State Board of Equalization annual summaries of *Trade Outlets and Taxable Sales in California*.

Educational Facilities

The Del Mar Union School District operates two elementary schools serving over 1,000 students. About one-third of the total are Del Mar residents. Three nearby private elementary schools are attended by over 100 Del Mar pupils. The San Dieguito Union High School District operates two junior high and two high schools. Del Mar students attend Earl Warren Junior High School and Torrey Pines High School, located east of Interstate 5. Since Del Mar is located in the Oceanside-Carlsbad Community College District, local residents are entitled to instruction at any of the five community colleges in San Diego County. The Miracosta Junior College recently opened a branch education facility in Del Mar offering night instruction and other special classes.

Community Services

Del Mar maintains its own fire department currently staffed by 10 full-time employees plus reserves and contracts for law enforcement services with the San Diego County Sheriff's Office.

A variety of health care facilities in the vicinity serve city residents. Primary facilities include both doctors' offices and clinics located in Del Mar and the unincorporated area of Solana Beach to the north. In-patient health care is available to Del Mar residents from Scripps Memorial Hospitals located in La Jolla and Encinitas and the Scripps Clinic and Research Foundation offering a total of 614 beds. Twelve miles from Del Mar are the Sharp Memorial Community Hospital with 401 beds, Children's Hospital with 90 beds, and Mesa Vista Hospital with 110 beds.

The existing Del Mar Library is a branch of the County Library system and provides over 20,800 volumes to city residents. The library is located at the civic center site.

Transportation

Public transportation in Del Mar consists primarily of bus service and Amtrak rail service. The Atchison, Topeka and Santa Fe passenger trains are under contract with the Amtrak System and Del Mar serves as one of four stations between San Diego and Los Angeles. The Greyhound Bus Lines provides frequent daily direct bus service to San Diego and Los Angeles. Del Mar serves as the transfer point for local public bus service between Oceanside to the north and downtown San Diego to the south.

State Highway 101 connects Del Mar with nearby seaside communities including Solana Beach, Cardiff-By-The-Sea, and Encinitas. The principal north-south artery of California, Interstate 5, passes the city about a mile to the east. This freeway, stretching the length of California via Los Angeles and the Central Valley, provides ready access to all points in the state. Interstate 805, which connects Interstate 5 about four miles south of Del Mar, passes through the eastern outskirts of the city of San Diego and provides a direct link to the Mexican border.

Excellent airline passenger and cargo transportation services are available at San Diego International Airport, located 18 miles south by freeway. About 12 miles north of the city is Palomar Airport, a general-purpose field with a 4,700 foot runway. Facilities for water borne shipping are available at the modern and well-equipped Port of San Diego.

Utilities

Electricity and natural gas are supplied by the San Diego Gas and Electric Company. Pacific Telephone Company provides telephone service to Del Mar.

Del Mar purchases and distributes water from the San Diego County Water Authority, which is supplied by the Metropolitan Water District. The city also operates a sewer system which transports the city's sewage to a connection point with the San Diego Metropolitan sewage treatment plant.

Recreation

Del Mar's reputation as an excellent recreational center is based on its proximity to a number of famous golf courses and a two and a half mile coastline within the city limits that includes a two-mile public beach. Torrey Pines State Park is immediately south of the city limits offering a championship golf course, site of the San Diego Open, and a Science Park.

Del Mar racetrack offers thoroughbred racing in the late summer each year. The adjacent County Fairgrounds hosts a number of annual events, including the Southern California Exposition.

Intercollegiate athletic events are held at the nearby campus of the University of California. The University also sponsors cultural activities, including concerts, lectures, and stage productions that are open to the public.

OFFICIAL NOTICE OF SALE
\$400,000
CITY OF DEL MAR 1979 WATER REVENUE BONDS
(San Diego County, State of California)

NOTICE IS HEREBY GIVEN that sealed proposals will be received by the City Council (the "Council") of the City of Del Mar (the "City") at the office of Loeb Rhoades, Hornblower & Co. 8th Floor, 600 Montgomery Street, San Francisco, California 94111, on

MONDAY, MARCH 5, 1979

at 11:00 A.M. for the purchase of \$400,000 principal amount of City of Del Mar 1979 Water Revenue Bonds (the "bonds"), authorized to be issued under the provisions of a resolution of the City adopted November 24, 1965, and a resolution of the City adopted February 5, 1979 (collectively, the "Resolution") and pursuant to the California Revenue Bond Law of 1941. The City has heretofore issued its City of Del Mar 1965 Water Revenue Bonds authorized under the provisions of said resolution adopted November 24, 1965, in the aggregate principal amount of \$570,000. The bonds are more particularly described in the Resolution (which is incorporated herein by reference) and a copy thereof will be furnished to any interested bidder upon request. The bonds are generally described below.

ISSUE, DENOMINATION AND DATE: \$400,000 consisting of 80 bonds of the denomination of \$5,000 each, numbered 1 to 80, both inclusive, dated March 15, 1979.

INTEREST RATE: Maximum not to exceed 8% per annum, payable on December 15, 1979, and thereafter semiannually on June 15 and December 15 in each year. Bidders must specify the rate or rates of interest which the bonds shall bear; provided that (i) all bonds maturing by their terms in any one year must bear the same rate of interest; (ii) each interest rate specified must be in a multiple of 1/20 of 1% and a zero rate of interest cannot be specified; (iii) the difference between the lowest and highest interest rates specified in any bid shall not exceed 2%; (iv) no bond shall bear more than one rate of interest, no interest payment shall be evidenced by more than one coupon, and supplemental coupons will not be permitted; (v) each bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; and (vi) any premium must be paid in bank funds as part of the purchase price, and no bid will be accepted which contemplates the cancellation of any interest coupons or the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price in bank funds. Bids which do not conform to the terms of this paragraph will be rejected.

MATURITIES: The bonds will mature as follows:

<i>Maturity Date</i>	<i>Principal Amount</i>
December 15	
1996.....	\$45,000
1997.....	50,000
1998.....	50,000
1999.....	50,000
2000.....	50,000
2001.....	50,000
2002.....	50,000
2003.....	55,000

REDEMPTION: Bonds maturing by their terms on or before December 15, 1994, are not subject to redemption prior to their

respective maturity dates. Bonds maturing by their terms on or after December 15, 1995, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole, or in part in inverse order of maturity and by lot within one maturity if less than all of the bonds of such maturity be redeemed, from any source of available funds, on any interest payment date on or after December 15, 1994, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption plus a premium (expressed as a percentage of the principal amount of the bonds to be redeemed) as set forth in the following schedule:

<i>Redemption Date</i>	<i>Premium</i>
December 15, 1994, or June 15, 1995.....	5 %
December 15, 1995, or June 15, 1996.....	4 1/2
December 15, 1996, or June 15, 1997.....	4
December 15, 1997, or June 15, 1998.....	3 1/2
December 15, 1998, or June 15, 1999.....	3
December 15, 1999, or June 15, 2000.....	2 1/2
December 15, 2000, or June 15, 2001.....	2
December 15, 2001, or June 15, 2002.....	1
December 15, 2002, and thereafter	0

PAYMENT: Both principal and interest are payable in lawful money of the United States of America at the office of the Treasurer, or at the option of the holder, at the principal office of California First Bank, the City's Paying Agent in San Diego, California.

REGISTRATION: Coupon bonds will be issued by the City. Said bonds may be registrable as to both principal and interest. Registered bonds are exchangeable for coupon bonds at owner's expense as provided in the Resolution.

PURPOSE: The bonds are authorized for the purpose of providing funds for the acquisition, construction, improvement and financing of improvements to the existing water system of the City.

SECURITY: The bonds are revenue bonds payable exclusively from the Gross Revenues of the Enterprise (as those terms are defined in the Resolution). Bidders are referred to the Resolution and to the official statement for further particulars. A reserve fund has been established and will be maintained at an amount equal to the maximum annual debt service on all of the outstanding bonds of the authorized issue.

TAX-EXEMPT STATUS: In the event that prior to the delivery of the bonds the income received by private holders from bonds of the same type and character shall be declared to be taxable under any Federal income tax laws, either by the terms of such laws or by ruling of a Federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any Federal court, the successful bidder may, at his option, prior to the tender of the bonds by the City, be relieved of his obligation under the contract to purchase the bonds, and in such case the deposit accompanying his bid will be returned.

LEGAL OPINION: The legal opinion of Rutan & Tucker, of San Francisco, Santa Ana and Newport Beach, California, approving the validity of the bonds, will be furnished to the successful bidder without charge. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each bond without charge to the purchaser.

TERMS OF SALE

HIGHEST BID: The bonds will be awarded to the highest responsible bidder, considering the interest rate or rates specified and the premium offered. The highest bid will be determined by deducting the amount of the premium bid (if any) from the total amount of interest which the City would be required to pay from the date of the bonds to their maturity dates at the coupon rate or rates specified in the bid, and the award will be made on the basis of the lowest net interest cost to the City. The purchaser must pay accrued interest from the date of the bonds to the date of delivery. All interest will be computed on a 360-day year basis. The cost of printing the bonds will be borne by the City.

RIGHT OF REJECTION: The City reserves the right, in its discretion, to reject any and all bids and to waive any irregularity or informality in any bid.

PROMPT AWARD: The Council will take action awarding the bonds or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of proposals, unless such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder.

DELIVERY AND PAYMENT: It is anticipated that delivery of the bonds will be made to the successful bidder at the office of the Paying Agent as soon as the bonds can be prepared. Payment for the bonds must be made in Federal Reserve Bank Funds or other funds immediately available to the City in San Diego, California.

RIGHT OF CANCELLATION: The successful bidder shall have the right, at his option, to cancel the contract of purchase if the City shall fail to execute the bonds and tender the same for delivery within 60 days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying his bid.

FORM OF BID: Each bid must be in writing, signed by bidder and for not less than the par value of the bonds and accrued interest to date of delivery. Each bid, together with bidder's check, must be enclosed in a sealed envelope addressed to the City Clerk of the City, c/o Loeb Rhoades, Hornblower & Co., 8th Floor, 600 Montgomery Street, San Francisco, California 94111, and endorsed "Proposal for City of Del Mar 1979 Water Revenue Bonds."

BID CHECK: With each bid must be submitted a certified check or cashier's check for \$25,000 drawn on a bank or trust company transacting business in the State of California, payable to the order

of the City to secure the City from any loss resulting from the failure of the bidder to comply with the terms of his bid. The deposit of each unsuccessful bidder shall be returned to him promptly by mail upon the award of the bonds. No interest will be paid upon the deposit made by any bidder.

NET INTEREST COST: Bidders are requested, but not required, to supply an estimate of the total net interest cost to the City on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the City.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the bonds but neither the failure to print such numbers on any bond nor error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the bonds in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on the bonds shall be paid by the issuer; provided, however, that the fee of the CUSIP Service Bureau for the assignment of the said numbers shall be the responsibility of and shall be paid for by said purchaser.

NO LITIGATION: There is no litigation pending concerning validity of the bonds, the existence of the City or the title of the officers thereof to their respective offices, and the City will furnish to the successful bidder a no-litigation certificate certifying to the foregoing as of and at the time of the delivery of the bonds.

OFFICIAL STATEMENT: The City has prepared an official statement, a copy of which will be furnished upon request addressed to Loeb Rhoades, Hornblower & Co., 600 Montgomery Street, 47th Floor, San Francisco, California 94111, the City's financing consultants.

CERTIFICATE: The City will provide to the purchaser of the bonds a certificate, signed by an official of the City, confirming to the purchaser that, at the time of the acceptance of the bid for the Bonds and at the time of delivery thereof, to the best of the knowledge of said official, the official statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and that there has been no material adverse change in the financial condition or affairs of the City between the date of sale and the date of delivery of the bonds.

DATED: February 5, 1979.

*City Clerk of the
City of Del Mar*

OFFICIAL NOTICE OF SALE

\$400,000

CITY OF DEL MAR 1979 WATER REVENUE BONDS

(San Diego County, State of California)

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MONDAY, MARCH 5, 1979

at 11:00 A.M. for the purchase of \$400,000 principal amount of City of Del Mar 1979 Water Revenue Bonds (the "bonds"), authorized to be issued under the provisions of a resolution of the City adopted November 24, 1965, and a resolution of the City adopted February 5, 1979 (collectively, the "Resolution") and pursuant to the California Revenue Bond Law of 1941. The City has heretofore issued its City of Del Mar 1965 Water Revenue Bonds authorized under the provisions of said resolution adopted November 24, 1965, in the aggregate principal amount of \$570,000. The bonds are more particularly described in the Resolution (which is incorporated herein by reference) and a copy thereof will be furnished to any interested bidder upon request. The bonds are generally described below.

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INTEREST RATE: Maximum not to exceed 8% per annum, payable on December 15, 1979, and thereafter semiannually on June 15 and December 15 in each year. Bidders must specify the rate or rates of interest which the bonds shall bear; provided that (i) all bonds maturing by their terms in any one year must bear the same rate of interest; (ii) each interest rate specified must be in a multiple of 1/20 of 1% and a zero rate of interest cannot be specified; (iii) the difference between the lowest and highest interest rates specified in any bid shall not exceed 2%; (iv) no bond shall bear more than one rate of interest, no interest payment shall be evidenced by more than one coupon, and supplemental coupons will not be permitted; (v) each bond shall bear interest from its date to its stated maturity date at the interest rate specified in the bid; and (vi) any premium must be paid in bank funds as part of the purchase price, and no bid will be accepted which contemplates the cancellation of any interest coupons or the waiver of any interest or other concession by the bidder as a substitute for payment in full of the purchase price in bank funds. Bids which do not conform to the terms of this paragraph will be rejected.

MATURITIES: The bonds will mature as follows:

<i>Maturity Date</i>	<i>Principal Amount</i>
December 15	
1996	\$45,000
1997	50,000
1998	50,000
1999	50,000
2000	50,000
2001	50,000
2002	50,000
2003	55,000

REDEMPTION: Bonds maturing by their terms on or before December 15, 1994, are not subject to redemption prior to their

respective maturity dates. Bonds maturing by their terms on or after December 15, 1995, are subject to redemption prior to their respective maturity dates, at the option of the City, as a whole, or in part in inverse order of maturity and by lot within one maturity if less than all of the bonds of such maturity be redeemed, from any source of available funds, on any interest payment date on or after December 15, 1994, at a redemption price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption plus a premium (expressed as a percentage of the principal amount of the bonds to be redeemed) as set forth in the following schedule:

<i>Redemption Date</i>	<i>Premium</i>
December 15, 1994, or June 15, 1995	5 %
December 15, 1995, or June 15, 1996	4 1/2
December 15, 1996, or June 15, 1997	4
December 15, 1997, or June 15, 1998	3 1/2
December 15, 1998, or June 15, 1999	3
December 15, 1999, or June 15, 2000	2 1/2
December 15, 2000, or June 15, 2001	2
December 15, 2001, or June 15, 2002	1
December 15, 2002, and thereafter	0

PAYMENT: Both principal and interest are payable in lawful money of the United States of America at the office of the Treasurer, or at the option of the holder, at the principal office of California First Bank, the City's Paying Agent in San Diego, California.

REGISTRATION: Coupon bonds will be issued by the City. Said bonds may be registrable as to both principal and interest. Registered bonds are exchangeable for coupon bonds at owner's expense as provided in the Resolution.

PURPOSE: The bonds are authorized for the purpose of providing funds for the acquisition, construction, improvement and financing of improvements to the existing water system of the City.

SECURITY: The bonds are revenue bonds payable exclusively from the Gross Revenues of the Enterprise (as those terms are defined in the Resolution). Bidders are referred to the Resolution and to the official statement for further particulars. A reserve fund has been established and will be maintained at an amount equal to the maximum annual debt service on all of the outstanding bonds of the authorized issue.

TAX-EXEMPT STATUS: In the event that prior to the delivery of the bonds the income received by private holders from bonds of the same type and character shall be declared to be taxable under any Federal income tax laws, either by the terms of such laws or by ruling of a Federal income tax authority or official which is followed by the Internal Revenue Service, or by decision of any Federal court, the successful bidder may, at his option, prior to the tender of the bonds by the City, be relieved of his obligation under the contract to purchase the bonds, and in such case the deposit accompanying his bid will be returned.

LEGAL OPINION: The legal opinion of Rutan & Tucker, of San Francisco, Santa Ana and Newport Beach, California, approving the validity of the bonds, will be furnished to the successful bidder without charge. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each bond without charge to the purchaser.

TERMS OF SALE

HIGHEST BID: The bonds will be awarded to the highest responsible bidder, considering the interest rate or rates specified and the premium offered. The highest bid will be determined by deducting the amount of the premium bid (if any) from the total amount of interest which the City would be required to pay from the date of the bonds to their maturity dates at the coupon rate or rates specified in the bid, and the award will be made on the basis of the lowest net interest cost to the City. The purchaser must pay accrued interest from the date of the bonds to the date of delivery. All interest will be computed on a 360-day year basis. The cost of printing the bonds will be borne by the City.

RIGHT OF REJECTION: The City reserves the right, in its discretion, to reject any and all bids and to waive any irregularity or informality in any bid.

PROMPT AWARD: The Council will take action awarding the bonds or rejecting all bids not later than 26 hours after the expiration of the time herein prescribed for the receipt of proposals, unless such time of award is waived by the successful bidder. Notice of the award will be given promptly to the successful bidder.

DELIVERY AND PAYMENT: It is anticipated that delivery of the bonds will be made to the successful bidder at the office of the Paying Agent as soon as the bonds can be prepared. Payment for the bonds must be made in Federal Reserve Bank Funds or other funds immediately available to the City in San Diego, California.

RIGHT OF CANCELLATION: The successful bidder shall have the right, at his option, to cancel the contract of purchase if the City shall fail to execute the bonds and tender the same for delivery within 60 days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying his bid.

FORM OF BID: Each bid must be in writing, signed by bidder and for not less than the par value of the bonds and accrued interest to date of delivery. Each bid, together with bidder's check, must be enclosed in a sealed envelope addressed to the City Clerk of the City, c/o Loeb Rhoades, Hornblower & Co., 8th Floor, 600 Montgomery Street, San Francisco, California 94111, and endorsed "Proposal for City of Del Mar 1979 Water Revenue Bonds."

BID CHECK: With each bid must be submitted a certified check or cashier's check for \$25,000 drawn on a bank or trust company transacting business in the State of California, payable to the order

of the City to secure the City from any loss resulting from the failure of the bidder to comply with the terms of his bid. The deposit of each unsuccessful bidder shall be returned to him promptly by mail upon the award of the bonds. No interest will be paid upon the deposit made by any bidder.

NET INTEREST COST: Bidders are requested, but not required, to supply an estimate of the total net interest cost to the City on the basis of their respective bids, which shall be considered as informative only and not binding on either the bidder or the City.

CUSIP NUMBERS: It is anticipated that CUSIP numbers will be printed on the bonds but neither the failure to print such numbers on any bond nor error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the bonds in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on the bonds shall be paid by the issuer; provided, however, that the fee of the CUSIP Service Bureau for the assignment of the said numbers shall be the responsibility of and shall be paid for by said purchaser.

NO LITIGATION: There is no litigation pending concerning validity of the bonds, the existence of the City or the title of the officers thereof to their respective offices, and the City will furnish to the successful bidder a no-litigation certificate certifying to the foregoing as of and at the time of the delivery of the bonds.

OFFICIAL STATEMENT: The City has prepared an official statement, a copy of which will be furnished upon request addressed to Loeb Rhoades, Hornblower & Co., 600 Montgomery Street, 47th Floor, San Francisco, California 94111, the City's financing consultants.

CERTIFICATE: The City will provide to the purchaser of the bonds a certificate, signed by an official of the City, confirming to the purchaser that, at the time of the acceptance of the bid for the Bonds and at the time of delivery thereof, to the best of the knowledge of said official, the official statement does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; and that there has been no material adverse change in the financial condition or affairs of the City between the date of sale and the date of delivery of the bonds.

DATED: February 5, 1979.

*City Clerk of the
City of Del Mar*

City Council
City of Del Mar
c/o Loeb Rhoades, Hornblower & Co.
8th Floor
600 Montgomery Street
San Francisco, California 94111

Councilmembers:

The bonds are to bear interest rates as set forth in the following schedule.

Our calculation of the net interest cost and net interest rate, which is considered to be informative only and not part of the bid, is as follows:

This proposal is subject to acceptance not later than twenty-six hours after the expiration of the time for the receipt of proposals as specified in the Notice Inviting Bids. There is enclosed herewith a (certified) (cashier's) check for \$25,000, payable to the order of the Treasurer of the City.

Following is a list of the members of our account on whose behalf this bid is made.

Respectfully submitted,

By _____

Address _____

City _____

State _____

NOTE: If we are awarded the bonds, we request that 100 copies of the official statement be delivered to _____ at the following address: _____

79 00764

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UNIVERSITY OF CALIFORNIA

